

WORLD TRADE ORGANIZATION

G/L/322
6 October 1999
(99-4278)

COMMITTEE ON AGRICULTURE: GENERAL COUNCIL OVERVIEW OF WTO ACTIVITIES (1999)

Report by the Chairman

The present report by the Chairman of the Committee on Agriculture, Ambassador Nestor Osorio Londoño, is submitted on his own responsibility as agreed by the Committee.

1. The Committee on Agriculture held regular meetings on 25-26 March, 24-25 June and 29-30 September 1999 (Secretariat summary reports of these meetings G/AG/R/18 to 20 refer). A further regular meeting is scheduled for 17-18 November 1999.
2. In accordance with Article 18.1 of the Agreement on Agriculture ("the Agreement"), the Committee, at each of these three meetings, reviewed progress in the implementation of commitments negotiated under the Uruguay Round reform programme. This review process was undertaken on the basis of notifications submitted by Members in the areas of market access, domestic support, export subsidies and the provisions of the Agreement relating to export prohibitions and restrictions. In total 180 notifications in these areas were subject to review by the Committee, 24 less than in the first three meetings of 1998 reflecting an decrease in the number of domestic support notifications. At each of its meetings the Committee also reviewed the overall position with respect to notification obligations under Article 18.2 and other relevant provisions of the Agreement. The current situation concerning compliance with notification requirements is summarized in Annex I to this report.
3. Furthermore, the Committee addressed a wide range of general and specific matters relevant to the implementation of commitments that were raised under the provisions of Article 18.6 of the Agreement. A number of these matters have been subject to informal consultations.
4. Article 16.1 of the Agreement provides that developed country Members of the WTO shall take such action as is provided for within the framework of the Marrakesh Ministerial Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries. In accordance with Article 16.2 of the Agreement, the Committee on Agriculture continued to monitor the follow-up to the Marrakesh Ministerial Decision at its regular meetings, including the recommendations of Singapore WTO Ministerial meeting on food aid and other matters related to this Decision.
5. In line with the recommendations of the Singapore WTO Ministerial meeting, the re-negotiation of the Food Aid Convention 1995 was launched in 1997 under the auspices of the London-based Food Aid Committee/International Grains Council. At its March meeting, the Committee was informed by the Executive Director of the International Grains Council, in a detailed statement circulated as

document G/AG/GEN/35, that the negotiations had been successfully concluded. The new Food Aid Convention entered into force provisionally on 1 July 1999. At the meeting of the Committee in June, Cuba was included in the WTO list of net food-importing developing countries (G/AG/5/Rev.3). The list currently comprises the 48 least-developed countries, as recognized by the United Nations, and the following 19 developing country Members of the WTO: Barbados, Botswana, Côte d'Ivoire, Cuba, Dominican Republic, Egypt, Honduras, Jamaica, Kenya, Mauritius, Morocco, Pakistan, Peru, Saint Lucia, Senegal, Sri Lanka, Trinidad and Tobago, Tunisia and Venezuela.

6. At the request of the Committee the Secretariat prepared a background note on the implementation of the Marrakesh Ministerial Decision and related recommendations (G/AG/W/42). The Committee's discussion on this matter is reflected in the Secretariat's summary reports of the March, June and September meetings (G/AG/R/18, paragraphs 24-32, G/AG/R/19, paragraph 23, and G/AG/R/20, refer). An updated version of this Secretariat note (G/AG/W/42/Rev.2) is attached as Annex II.

7. Under the arrangements adopted at the March 1997 meeting of the Committee the process of analysis and information exchange ("the AIE process"), as agreed to by the Singapore Ministerial Conference (paragraph 12 of G/L/131 and WT/MIN(96)/DEC, paragraph 19 refer), was continued through informal open-ended meetings of the Committee. Three such meetings were held in 1999. Members discussed topics in a wide range of areas. The discussions were based on informal papers submitted by Members. A number of additional factual Secretariat background papers were also provided and earlier papers revised in order to facilitate the work of the AIE process.

8. The AIE process was concluded in September 1999 with a report by the Chairman to the Committee on Agriculture on the process as a whole (AIE/R) which is attached as Annex III to this report. In line with the suggestion made in paragraph 6 of AIE/R regarding the Secretariat AIE background papers, including those in the course of preparation or revision, the Committee agreed that, for the purposes of Members' on-going and future work on implementation generally, these papers should be re-issued as documents of the Committee from January 2000.

9. The following international intergovernmental organizations have regular observer status in the Committee: FAO, the IMF, the International Grains Council, the OECD, UNCTAD, the UN World Food Programme and the World Bank. No consensus was reached with regard to applications for observer status which had been under consideration by the Committee since March 1997, by the ACP Secretariat, the Inter-American Development Bank and the Inter-American Institute for Agriculture Cooperation (G/AG/W/29/Rev.1). In addition, the Committee received a number of new requests for observer status from other intergovernmental organizations (G/AG/W/29/Rev.3 refers).

10. The Committee adopted the following schedule for the Committee's regular meetings in 2000: 23-24 March, 29-30 June, 28-29 September and 16-17 November.

Annex I – Regular notifications pertaining to the 1995 to 1998 years made under the Agreement on Agriculture
(as of 6 October 1999)

	MA:1	MA:2	MA:5	DS:1	ES:1	ES:2
		Imports under tariff quotas	Special safeguard	Domestic support	Export subsidies	Total exports

[illegible]

Angola	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	(NA)	NA	NA		NA	NA	NA	NA
Antigua & Barbuda	NA	NA	NA	NA	NA	NA	NA	NA	NA							NA	NA	NA	NA

Argentina	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	X	X		X	X	X		X	X	X	X
Australia	X	X	X	X	X	X	X	X	X	X	X	X	X		X	X	X	X	X	X	X

Bahrain	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	X*	X	X*		X	NA	NA	NA	NA
Bangladesh	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	(NA)		(NA)			NA	NA	NA	NA

Benin	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	(NA)	X	(NA)	NA			NA	NA	NA	NA
Bolivia	NA	NA	NA	NA	NA	NA	NA	NA	NA	X	X	X			X	X	X	NA	NA	NA	NA

Burkina Faso	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	(NA)	X*		X	NA	NA	NA	NA
Burundi	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	(NA)	(NA)			NA	NA	NA	NA

Cameroon
Canada

NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
X	X	X	X	X	X	X	X	X	X	X	X

X	X	X	X	NA	NA	NA	NA
X	X	X	X	X	X	X	X

Central African Rep.	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	(NA)	(NA)	(NA)	NA	X*	X*	NA	NA	NA	NA
Chad	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	(NA)	X*	(NA)				NA	NA	NA

Congo	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Costa Rica	X	X	X	X		X	X	X		X*	X*	X*	X	X	X	X	X	X	

Côte d'Ivoire	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA									
Cuba	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	X	X		X	X		NA	NA	NA

Cyprus	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	X	X	X		X	X	X	X	X	X	X
Czech Republic	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Dem. Rep. of the Congo	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	(NA)		NA	NA			NA	NA	NA

Djibouti	NA	NA	NA	NA	NA	NA	NA	NA	NA	(NA)	(NA)	X	X	X	NA	NA	NA	NA
Dominica	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA				NA	NA	NA	NA

Dominican Republic	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA									
EC	X	X	X	X			X	X	X		X	X		X	X		X	X	

Ecuador	X	NA	NA	X	X	X	NA	X	NA	X	X	X	NA	NA	NA	NA
---------	---	----	----	---	---	---	----	---	----	---	---	---	----	----	----	----

	MA:1	MA:2				MA:5				DS:1				ES:1				ES:2			
		Imports under tariff quotas				Special safeguard				Domestic support				Export subsidies				Total exports			
	One off	1995	1996	1997	1998	1995	1996	1997	1998	1995	1996	1997	1998	1995	1996	1997	1998	1995	1996	1997	1998

Egypt	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	X	X	X	X	X	X	X	X	NA	NA	NA	NA
El Salvador	X	X	X	X		X	X	X	X	X	X	X	X		X	X			NA	NA	NA	NA

Fiji																								
	NA	NA	NA	NA	NA		NA	NA	NA	NA		NA	X	X		NA	X	X		NA	NA	NA	NA	
Gabon	NA	NA	NA	NA	NA		NA	NA	NA	NA										NA	NA	NA	NA	

Guinea Bissau	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	(NA)	(NA)		NA	NA	NA	NA
Guinea, Republic of	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	(NA)			NA	NA	NA	NA

Honduras	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	X	X	X		X	X	X		X	X	X	X
Hong Kong, China	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	X	X	X	X	X	X	X	X	NA	NA	NA	NA

India	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	X
	X	X	X	X	X		X	X			
Indonesia											

	NA	NA	NA	NA
	X	X	X	X

Japan	X	X	X	X	X	X	X	X	X	X	X	X	X	X	NA	NA	NA	NA
Kenya	NA	NA	NA	NA	NA	NA	NA	NA	NA	X	X	X	X	X	NA	NA	NA	NA

Korea	X	X	X	X		X	X	X		X	X	X	X	X	X	X	NA	NA	NA	NA
Kuwait	NA	NA	NA	NA	NA	NA	NA	NA	NA	X*							NA	NA	NA	NA

Lesotho	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	(NA)	(NA)				NA	NA	NA	NA
Macau	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	X	X	X	X	X	NA	NA	NA	NA

Madagascar	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	(NA)	(NA)		NA	NA	NA	NA
Malawi	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	(NA)	(NA)		NA	NA	NA	NA

Malaysia	X	X	X			X	X			X	X			X	X			X	X		
Maldives	NA	NA	NA	NA	NA	NA	NA	NA	NA	(NA)	X*	(NA)	X*	X*	X*	X*	X*	NA	NA	NA	NA

Mali	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	(NA)	(NA)	X	NA	NA	NA	NA
Malta	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	X			NA	NA	NA	NA

Mauritania	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	(NA)	(NA)			NA	NA	NA	NA
Mauritius	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA					NA	NA	NA	NA

Mexico	X	X					X				X				X				
Mongolia	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	X	X	NA	NA	X	X	NA	NA	NA

Morocco	X	X	X	X		X	X	X		X	X		X		NA	NA	NA	NA
Mozambique	NA	NA	NA	NA	NA	NA	NA	NA	NA	(NA)		(NA)			NA	NA	NA	NA

Myanmar	NA	NA	NA	NA	NA	NA	NA	NA	NA	(NA)	(NA)	X	X	X	NA	NA	NA	NA
Namibia	NA	NA	NA	NA	NA	X	X	X		X	X				NA	NA	NA	NA

New Zealand	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Nicaragua	X						X						X				NA	NA	NA	NA

Panama	X	NA	NA	X		NA	NA	X		NA	NA		NA	NA	X*	NA	NA	X*	
Papua New Guinea	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA		NA	NA		NA	NA	NA	NA

Paraguay	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	X	X	X*	X*	X	X	X*	X*	NA	NA	NA	NA
Peru	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA					X	X	X		NA	NA	NA	NA

[illegible]

Rwanda	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	(NA)	(NA)	NA	NA	NA	NA
Saint Kitts & Nevis	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA			NA	NA	NA	NA

Senegal	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	(NA)	(NA)		NA	NA	NA	NA
Sierra Leone	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	(NA)	(NA)		NA	NA	NA	NA

Slovenia	X	X	X	X	X	NA	NA	NA	NA	X	X	X	X	X	X	X	X	NA	NA	NA	NA
Solomon Islands	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	(NA)		(NA)	NA				NA	NA	NA	NA

[illegible]

Togo	NA	NA	NA	NA	NA	NA	NA	NA	NA	(NA)		(NA)				NA	NA	NA	NA
Trinidad and Tobago	NA	NA	NA	NA	NA	NA	NA	NA	NA	X	X	X		X		NA	NA	NA	NA

Uganda			NA	NA	NA	NA	NA	NA	NA	NA	(NA)	(NA)			NA	NA	NA	NA
United Arab Emirates			NA	NA	NA	NA	NA	NA	NA	NA	NA	NA				NA	NA	NA

United States
Uruguay

X
NA

X
NA

X
NA

X
NA

X
NA

X
X

X
X

X
X

X
X

X
X

X
X

X
X

X
X

X
X

X
X

X
X

X
X

X
X

X
X

X
X

X
X

X
X

X
X

X
X

Venezuela	X	X	X	X		X	X	X		X	X	X*		X	X	X		X	X	X	
Zambia	NA	NA	NA	NA	NA	NA	NA	NA	NA	(NA)	X	(NA)	X	X	X	X	X	NA	NA	NA	NA

Zimbabwe	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	X	X	X			
----------	----	----	----	----	----	----	----	----	----	----	---	---	---	--	--	--

EXPLANATORY NOTES

Notifications may be submitted according to various bases (calendar, crop, fiscal years, etc.) as stipulated in G/AG/W/2/Rev.4. The symbols used in the tables are as follows:

- (a) A **blank** indicates that the requirement is applicable to the Member concerned, but that no notification has been received up to the cut-off date.
- (b) "**NA**" indicates that the requirement was not applicable for a given Member during the implementation period considered.

- (c) "(NA)" is used in conjunction with the Table DS:1 (Domestic Support) notification requirement in the case of least-developed country Members. While all Members are required to notify on an annual basis, the least-developed country Members may notify every second year.

(d) "X" denotes that a notification has been received and "X*" that the notification has been received but is still under preparation. Subsequent addenda or corrections to notifications are not counted as additional notifications.

Annex II

IMPLEMENTATION OF THE DECISION ON MEASURES CONCERNING THE POSSIBLE NEGATIVE EFFECTS OF THE REFORM PROGRAMME ON LEAST-DEVELOPED AND NET FOOD-IMPORTING DEVELOPING COUNTRIES

Note by the Secretariat*

Revision

11. The present note further updates the information provided in the Secretariat note G/AG/W/42/Rev.1, the original version of which was circulated on 10 February 1999. G/AG/W/42 was prepared in response to the request made at the November 1998 meeting of the Committee on Agriculture that the Secretariat provide an overview on the state of play in implementing the Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries (the "Decision") (G/AG/R/17, page 6). Following a brief introduction on the follow-up process to the Decision as a whole (Part I), this note sets out the substantive provisions of the Decision and provides information regarding their implementation (Part II). A list of related Committee on Agriculture documents is contained in Attachment 1. Further details are presented in Attachments 2 to 5.

MONITORING OF THE FOLLOW-UP TO THE DECISION

1. The follow-up to the Decision has represented an important element in the Committee's work. This subject has been on the agenda at each regular Committee meeting.
2. In 1995, the Committee established notification requirements under which donor Members are required to submit data on food aid donations (quantity and concessionality) as well as information on technical and financial assistance and other relevant information on actions taken within the framework of the Decision (G/AG/2, pages 33-34). The annual monitoring of the follow-up to the Decision in accordance with Article 16 of the Agreement on Agriculture and under paragraph 18 of the Working Procedures of the Committee on Agriculture is undertaken on the basis, *inter alia*, of these Table NF:1 notifications.
3. Attachment 2 summarizes compliance with NF:1 notification requirements in the first three years of implementation. For the purposes of Attachment 2, "compliance" refers to any NF:1 notification received by the eight Members (counting the EC as one) that are donors under the Food Aid Convention and three other Members that have identified themselves as donors in their notifications (Cuba, New Zealand and South Africa). It should be noted that a number of other Members have submitted NF:1 notifications stating that no food aid or technical/financial assistance was provided or that Table NF:1 was not applicable.

*(G/AG/W/42/Rev.2, dated 4 October 1999).

4. In 1996, the Committee established a WTO list of net food-importing developing countries.¹ This list currently contains the 48 least-developed countries as defined by the United Nations and 19 other developing country Members.²

5. In the same year, the Singapore Ministerial Conference ("SMC") adopted the Committee's specific recommendations regarding the Decision (G/L/125).

6. At various stages of the Committee's annual monitoring exercise of the Decision, some of the international observer organizations, including the IMF, have commented on the development of world food prices.³ International wheat prices increased sharply in 1995/96 (Chart 1). By 1999, however, world market prices for wheat had fallen, in nominal terms, to their lowest level since 1990 – the year of the highest world wheat crop ever except for 1997/98. A variety of supply and demand factors caused the observed price development, however as a practical matter, it is hardly feasible to identify and accurately quantify each of them.

7. Attachment 3 shows the development of various IMF commodity price indices since 1987.⁴ Following peaks in 1995 (agricultural raw materials) and 1996 (food), the respective price indices have fallen steadily in terms of US dollars and are currently at the same level or lower than in the early 1990s. Chart 2 shows the trend of the non-fuel primary commodity price index which covers more commodities than the food price index (column 3 of Attachment 3).⁵ The broken line in Chart 2 which tracks the price development in real terms shows that non-fuel primary commodity prices in the first half of 1999 were as low as in 1992.

¹ The decision to establish this list was taken on the understanding that "being listed would not as such confer automatic benefits since, under the mechanisms covered by the Marrakesh Ministerial Decision, donors and the institutions concerned would have a role to play" (G/AG/R/14, paragraph 17).

² Barbados, Botswana, Côte d'Ivoire, Cuba, Dominican Republic, Egypt, Honduras, Jamaica, Kenya, Mauritius, Morocco, Pakistan, Peru, Saint Lucia, Senegal, Sri Lanka, Trinidad and Tobago, Tunisia and Venezuela (G/AG/5/Rev.3, dated 28 June 1999, refers).

³ See FAO in G/AG/GEN/31, page 2 and G/AG/GEN/36, page 1; IMF in G/AG/GEN/15, page 2 and G/AG/GEN/31, page 6; International Grains Council in G/AG/R/4, page 6; UNCTAD in G/AG/GEN/31, page 12; World Bank in G/AG/GEN/15, page 3 and G/AG/W/12, page 4-6; see also the points raised by Members in G/AG/R/3, page 6.

⁴ For further details, see the IMF's web site www.imf.org/external/np/res/commmod/index.htm. For UNCTAD's commodity price indices, see G/AG/GEN/31, page 20.

⁵ It should be noted that in this index metals and fertilizers carry a weight of 26.7 per cent and 1.3 per cent, respectively.

Chart 1 – The International Grains Council wheat price index, January 1987 – July 1999

1. The following information is provided for the purpose of the review of the project and the project's impact on the environment and the community. The information is provided in the form of a table and is intended to be used as a reference for the project's impact assessment.

Source: International Monetary Fund.

II. PROVISIONS OF THE DECISION AND IMPLEMENTATION

1. The Decision states:

"Ministers recognize that the progressive implementation of the results of the Uruguay Round as a whole will generate increasing opportunities for trade expansion and economic growth to the benefit of all participants" (paragraph 1).

"Ministers recognize that during the reform programme leading to greater liberalization of trade in agriculture least-developed and net food-importing developing countries may experience negative effects in terms of the availability of adequate supplies of basic foodstuffs from external sources on reasonable terms and conditions, including short-term difficulties in financing normal levels of commercial imports of basic foodstuffs" (paragraph 2).

2. The remaining paragraphs of the Decision contain a number of specific agreements in the areas of food aid, technical and financial assistance, differential treatment within the framework of any agreement on agricultural export credits, and a recognition regarding access to the resources of the international financial institutions. In the following, these paragraphs are taken up one by one and supplemented by information available to the Secretariat regarding implementation.

Food aid and technical and financial assistance

3. In light of paragraphs 1 and 2 of the Decision quoted above,

"Ministers accordingly agree to establish appropriate mechanisms to ensure that the implementation of the results of the Uruguay Round on trade in agriculture does not adversely affect the availability of food aid at a level which is sufficient to continue to provide assistance in meeting the food needs of developing countries, especially least-developed and net food-importing developing countries" (chapeau to paragraph 3).

(i) Review of Food Aid Levels and Initiation of Food Aid Negotiations

4. To the end enunciated in the chapeau of paragraph 3 of the Decision, Ministers agreed:

"... to review the level of food aid established periodically by the Committee on Food Aid under the Food Aid Convention 1986 and to initiate negotiations in the appropriate forum to establish a level of food aid commitments sufficient to meet the legitimate needs of developing countries during the reform programme ..." (paragraph 3(i) of the Decision).

*Review of food aid levels*5. In reviewing developments with regard to food aid levels, the Committee considered background notes by the Secretariat which indicated that both the international food aid commitments and the actual deliveries had declined sharply in recent years (G/AG/W/20 and G/AG/W/36 refer).⁶ While the decline in food aid reflected reduced availabilities, and coincided with rising world market prices for cereals, it appears that reduced *demand* for food aid was also an important factor. As Table 1 indicates, in 1994 a large share of global food aid deliveries (excluding Europe and the CIS) was in the form of emergency relief provided in response to man-made or natural disasters. More

⁶ It may be noted that food aid in value terms is small compared to total Official Development Assistance (3 per cent in 1996). See OECD Development Assistance Committee Report 1997.

than 50 per cent of the 1.9 million tonne decline in global food aid between 1994 and 1998 was due to lower levels of such emergency relief food aid.

Table 1 : Composition of global food aid deliveries, excl. Europe and the CIS ('000 tonnes)

	1994	1998	Decline from 1994 to 1998	% change
Relief food aid	3,590	2,563	1,027	- 29
Programme food aid	2,824	2,071	753	- 27
Project food aid	2,706	2,553	153	- 6
Total	9,120	7,187	1,933	- 21

Notes: All figures include cereal (in grain equivalent) and non-cereal food aid (in product weight).
 Relief food aid: targeted and freely distributed to victims of natural or man-made disasters.
 Project food aid: provided to targeted beneficiary groups to support specific development objectives. Always supplied on a grant basis.

Programme food aid: Usually supplied as a resource transfer for balance-of-payments and/or budgetary support objectives. Provided as a grant or loan on a bilateral basis. Not targeted at specific beneficiary groups but sold on the market of the recipient country.

Source: WFP Food Aid Monitor: Food Aid Flows 1998, special issue, May 1999 from the Internet (www.wfp.org).

6. FAO estimates that in the marketing year 1998/99 (July/June) cereal food aid provided to least-developed and net food-importing developing countries increased by 24 per cent, to approximately 4.3 million tonnes compared to 3.5 million tonnes in 1997/98 (Table 2). As indicated in the following Table, in 1998/99, cereals food aid to least-developed country recipients increased by 1.15 million tonnes, whereas such aid to the net food-importing developing countries decreased by 0.3 million tonnes. Overall the 1998/99 level still falls short of the corresponding levels in 1993/94 and 1994/95.

Table 2: Cereal food aid provided to least-developed and net food-importing developing countries, 1993/94 – 1998/99 ('000 tonnes grain equivalent)

	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99
Least-developed countries	3,932	4,326	3,305	2,671	2,852	4,004
Net food-importing developing countries	1,868	1,327	644	509	636	334
Total	5,800	5,654	3,949	3,180	3,489	4,338

Source: FAO.

Initiation of food aid negotiations

7. In anticipation of the expiry of the Food Aid Convention, 1995 ("FAC") the SMC agreed that, in preparation for the re-negotiation of the Food aid Convention, action be initiated in 1997 within the framework of the Convention, under arrangements for participation by all interested countries and by relevant organizations, to develop recommendations with a view towards establishing a level of food aid commitments, covering as wide a range of donors and donable products as is possible, which is sufficient to meet the legitimate needs of developing countries during the reform programme (G/L/125, paragraph 18(i) refers).

8. Since January 1997 several meetings took place within the framework of the FAC, including meetings with least-developed and net food-importing developing countries as well as potential new food aid donors. In December 1997 the FAC Food Aid Committee decided to extend the FAC for one year (until June 1999) and to open the Convention for renegotiation taking into account, among other things, "the food security and trade liberalization objectives under the WTO and the World Food Summit Action Plan" (IGC statement in G/AG/GEN/20).

9. In early 1998 the Food Aid Committee confirmed its intention to bring a new Food Aid Convention into effect on 1 July 1999 and requested the Working Group which was undertaking the re-negotiation of the FAC to aim to conclude the substantive negotiations by the end of 1998.

10. In November 1998, the Food Aid Committee held a further dialogue meeting with representatives of food aid recipient countries regarding the main elements of the new Convention (G/AG/GEN/31, page 4 refers).

11. The negotiations on the Food Aid Convention, 1999 were completed on 24 March 1999 and the new Convention provisionally entered into force on 1 July 1999. Its members, including provisional members, are the same as the members of the Food Aid Convention, 1995 (Argentina, Australia, Canada, EC and its member States, Japan, Norway, Switzerland and the United States).

12. Under the new Food Aid Convention, the list of eligible products which may be supplied has been broadened significantly beyond cereals. When allocating their food aid, FAC members undertake to give priority to the least-developed countries and Low-Income Countries, many of which are on the present WTO list of net food-importing developing countries. Other eligible food aid recipients include Lower Middle-Income Countries and all other countries included in the WTO list of net food-importing developing countries at the time of negotiation of the new Convention. Attachment 4 reproduces a summary by the IGC Executive Director of the outcome of the negotiations on the new Food Aid Convention.

(ii) Concessionality of Food Aid

13. To the end stated in the chapeau of paragraph 3 of the Decision Ministers also agreed:

"... to adopt guidelines to ensure that an increasing proportion of basic foodstuffs is provided to least-developed and net food-importing developing countries in fully grant form and/or on appropriate concessional terms in line with Article IV of the Food Aid Convention 1986 ..." (paragraph 3(ii) of the Decision).

14. The SMC agreed that the recommendations to be developed by the FAC referred to in paragraph 15 above should include guidelines in accordance with paragraph 3(ii) of the Decision, as well as means to improve the effectiveness and positive impact of food aid.

15. Table 3 shows the proportion of food aid provided to least-developed and net food-importing developing countries in the form of donations as notified by Members. All notifying Members, except the United States, provided the food aid to the countries concerned in fully grant form. In the case of the United States, in the first three years of implementation between 83 and 93 per cent of food aid was donated, with the remainder being provided in accordance with the relevant FAC guidelines.

Table 3 : Proportion of food aid provided in fully grant form

Member	Concessionalty of food aid
FAC donors	
Argentina	no notification received
Australia	100 % grant terms
Canada	100 % grant terms
EC	100 % grant terms
Japan	100 % grants of cash
Norway	100 % grant terms
Switzerland	100 % grant terms
USA	proportion of food aid to LDCs and NFIDCs on 100 % grant terms: 1995/96 - 84 % 1996/97 - 93 % 1997/98 - 83 % the remainder is provided in accordance with FAC guidelines
Other donors	
Cuba	100 % grant terms
New Zealand	100 % grants of cash
South Africa	not applicable (no food aid provided)

(iii) Technical and Financial Assistance

16. To the end stated in the chapeau of paragraph 3 of the Decision Ministers agreed

"... to give full consideration in the context of their aid programmes to requests for the provision of technical and financial assistance to least-developed and net food-importing developing countries to improve their agricultural productivity and infrastructure" (paragraph 3(iii) of the Decision).

17. The SMC called on developed country Members to continue to give full consideration in the context of their aid programmes to requests for the provision of technical and financial assistance. This recommendation reflects the fact that technical and financial assistance is essentially a bilateral matter between donors and recipients based on requests made by recipient countries.

18. The Secretariat has no information whether least-developed and net food-importing developing countries made requests pursuant to this paragraph. However, Attachment 5 provides an overview of spending on bilateral technical and financial assistance programmes as notified by Members, including in a number of cases funding given to multilateral organizations and other aid. Some Members noted in their notifications that it had not always been possible to identify expenditures that were exclusively targeted to agriculture and to least-developed and net food-importing developing countries.

19. In addition, in their contributions to the Committee's annual monitoring exercise of the Decision several of the international observer organizations have provided information on their respective activities in the area of technical assistance.⁷

Differential treatment within the framework of an agreement on agricultural export credits

⁷ See World Bank, "A partial listing of projects in LDCs" in G/AG/GEN/31, pages 23-27; World Bank in G/AG/GEN/15, pages 3-4; FAO, "Special Programme on Food Production in Support of Food Security in LIFDCs" in G/AG/R/9, paragraph 33.

20. In light of paragraphs 1 and 2 of the Decision quoted above, Ministers agreed:

"... to ensure that any agreement relating to agricultural export credits makes appropriate provision for differential treatment in favour of least-developed and net food-importing developing countries" (paragraph 4 of the Decision).

21. Ministers reaffirmed this commitment at the SMC. In the ongoing negotiations on an understanding regarding agricultural export credits undertaken within the framework of the OECD, consideration is being given to this matter (OECD statement in G/AG/GEN/15, page 8 refers).

Access to the resources of the international financial institutions

22. In the Decision Ministers furthermore recognized that:

"... as a result of the Uruguay Round certain developing countries may experience short-term difficulties in financing normal levels of commercial imports and that these countries may be eligible to draw on the resources of international financial institutions under existing facilities, or such facilities as may be established, in the context of adjustment programmes, in order to address such financing difficulties. In this regard, Ministers take note of paragraph 37 of the report of the Director-General to the CONTRACTING PARTIES to GATT 1947 on his consultations with the Managing Director of the International Monetary Fund and the President of the World Bank (MTN.GNG/NG14/W/35)" (paragraph 5 of the Decision).

23. At the SMC it was agreed that WTO Members, in their individual capacity as members of relevant international financial institutions, take appropriate steps to encourage the institutions concerned, through their respective governing bodies, to further consider the scope for establishing new facilities or enhancing existing facilities for developing countries experiencing Uruguay Round-related difficulties in financing normal levels of commercial imports of basic foodstuffs.

(i) Ability to finance commercial imports

24. As noted above, the Decision recognizes that as a result of the Uruguay Round certain developing countries may experience short-term difficulties in financing normal levels of commercial imports of basic foodstuffs. Whether or not such difficulties have occurred or to what extent they are likely to materialize in the future is essentially an empirical question. In this context, the FAO presented to the Committee in November 1997 the main findings of a study on the food situation in the least-developed and net food-importing countries (G/AG/GEN/15, pages 5-6). The study provides quantitative results on a number of variables affecting the ability to finance commercial imports, including export earnings, the balance-of-payments situation and the debt service ratio. FAO emphasized the fact that as the result of declining levels of food aid and export subsidies "a much greater volume of cereals is now imported under commercial terms." In conclusion FAO noted that "all the relevant statistics differentiate clearly the LDCs and the NFIDCs from the rest of the developing countries as regards food availability and capacity to import. The food security situation in both the LDCs and the NFIDCs remains precarious and FAO will continue to monitor this situation as it evolves."⁸ An update on the food security situation in the countries covered by the Decision was presented in November 1998 (G/AG/GEN/31, page 2-3 refers) and in March 1999. At the March meeting, FAO concluded that "overall, despite the fall in the

⁸ See also "Food Security Assessment: Why Countries are at Risk" by the Economic Research Service of the U.S. Department of Agriculture, August 1999, available via the ERS web site at www.econ.ag.gov.

[cereal] import bill of the LDCs and the NFIDCs during the current season, their food security situation remains precarious in a large number of these countries as it is regularly reported by the Global Information and Early Warning System" (G/AG/GEN/36, page 2).

(ii) Access to the facilities of the IMF and the World Bank

25. At the November 1995 meeting the IMF informed the Committee of the IMF's two principal facilities to assist net food-importing developing countries, i.e. the Enhanced Structural Adjustment Facility (ESAF) and the Compensatory and Contingency Financing Facility (CCFF). Under ESAF arrangements, funds may be provided on concessional terms in the event of *persistently* higher import prices for food, regardless of whether or not these are caused by the Uruguay Round. The CCFF, particularly its cereal element, was established to deal with financing needs in the event of *temporarily* higher food prices (for further details of the CCFF see page 6 of document G/AG/W/12). At the September 1996 Committee meeting, the IMF gave a detailed account on how these facilities had been used by the least-developed and net food-importing developing countries in the wake of rising world food prices. The general conclusion of the IMF was that, under existing facilities and

with anticipated resources, the IMF was in a position to meet any additional balance-of-payments related needs that may arise from higher world food prices.

26. At the November 1998 meeting the IMF advised the Committee that 27 least-developed and net food-importing developing countries, nine more than 1997, received financial support from the IMF to support their adjustment programmes or to deal with emergency situations. Among the additional countries that received IMF loans in 1998 are seven listed WTO Members (Bangladesh, Central African Republic, Côte d'Ivoire, the Gambia, Rwanda, Senegal and Uganda). In conclusion the IMF reiterated that "the Fund has the resources under existing facilities and has shown its willingness to use these resources in the last year, to meet the balance of payments needs of net food-importers."

27. The position of the World Bank on the issue of access to its resources was outlined in November 1997 as follows:

"The World Bank continues to monitor the progress of liberalization resulting from the implementation of commitments made under the Uruguay Round Agreement. A number of recent studies using different methodologies and assumptions confirm that the long run impacts of the Uruguay Round agreement on agricultural prices will be relatively small certainly far smaller than the price increases that have been experienced in recent years. Given the small size of the shocks resulting from the Round and the Bank's substantial headroom above current IBRD loans outstanding, it seems clear that the Bank will be in a position to meet any additional demands generated by the Round for loans on IBRD terms.

"In response to the Ministerial Decision, a Working Group involving the World Bank, the Food and Agriculture Organization, the World Food Programme and the IMF met in 1995 to address the special needs of leastdeveloped and net food-importing countries. The Working Group reviewed the range of facilities available for additional financing needs for developing countries in the event of world price shocks and production shortfalls and provided a report to the WTO in late 1995. Given the wide range of facilities and the small price impacts expected to arise as a consequence of the Round, and the difficulty involved in distinguishing Uruguay Round impacts from other shocks, it did not seem appropriate to establish a special Uruguay Round adjustment facility" (G/AG/GEN/15, page 3).

28. Furthermore, at the Committee's November 1998 monitoring exercise in respect of the Decision, the World Bank provided an overview of the World Bank's lending programmes in terms of agricultural development projects (see above), structural adjustment lending and emergency lending (G/AG/GEN/31, pages 25-27).

Attachment 1

List of documents related to the implementation of the Decision

G/L/125	Report by the Committee on Agriculture on the Marrakesh Ministerial Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries (COA report for the SMC)
G/AG/5/Rev.3	WTO list of net food-importing developing countries for the purposes of the Marrakesh Ministerial Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries

G/AG/GEN/15	Annual monitoring exercise in respect of the follow-up to the Ministerial Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries (statements by the international observer organizations)
G/AG/GEN/20	Communication from the Executive Director of the International Grains Council presented to the 19-20 March 1998 meeting of the Committee on Agriculture
G/AG/GEN/31	Annual monitoring exercise in respect of the follow-up to the Ministerial Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries (statements by the international observer organizations)
G/AG/GEN/35	Communication from the Executive Director of the International Grains Council presented to the 25-26 March 1999 meeting of the Committee on Agriculture
G/AG/GEN/36	Statement by the Observer from the FAO presented to the 25-26 March 1999 meeting of the Committee on Agriculture
G/AG/W/12 and Add.1	Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries: the Director-General's consultations with the IMF and the World Bank
G/AG/W/20	Preparatory work programme in respect of paragraph 3(i) and (ii) of the Marrakesh Ministerial Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries (note by the Secretariat)
G/AG/W/36	Review of food aid levels (note by the Secretariat)
G/AG/R- series	Reports of COA meetings

Attachment 2

Compliance with notification requirements in respect of actions taken within the framework of the Decision, 1995-97 (Table NF:1)

Member	1995	1996	1997	Notification received
Food Aid Convention donor				
Argentina				
Australia	X	X	X	AUS/5, 13, 21
Canada	X	X	X	CAN/11, 18, 25
EC	X			EEC/9
Japan	X	X	X	JPN/15, 27, 33
Norway	X	X	X	NOR/6, 19 and Corr.1, 20 and Corr.1
Switzerland	X	X	X	CHE/23

United States	X	X	X	USA/7, 20, 21
Other donors				
Cuba	X	X		CUB/4, 5
New Zealand	X	X	X	NZL/6, 13, 17
South Africa	X	X	X	ZAF/7, 9, 17
"Nil" notifications				
Brazil	X	X		BRA/2, 7
Burkina Faso			X	BFA/2
Fiji		X	X	FJI/3, 5
Indonesia	X	X		IDN/6, 7
Korea	X	X		KOR/9, 17
Malta		X		MLT/3
Morocco			X	MAR/9
Philippines	X			PHL/7
United Arab Emirates		X		ARE/1
Uruguay	X			URY/6
Compliance calculated as:				
... number of notifications received by FAC donors (%)	88	75	75	
... number of notifications received by FAC & other donors (%)	91	82	73	

Notes: Annual reporting periods differ among Members.

"X" means that a notification was received. A blank means that no notification was received.

"Nil" notification means that the notification indicated that no food aid or technical/financial assistance was provided or that Table NF:1 was not applicable.

For some Members, the 1998 implementation year, or the allowable delay for the submission of Table NF:1 notifications, is still under way, hence notifications for 1998 are not yet required.

Attachment 3
Indices of Primary Commodity Prices, 1987-99
(1990=100) ¹

<div>(1990-1997)</div>								
	All Primary Commodities ²	Non-Fuel Primary Commodities ³					Petroleum ⁵	
		Non-fuel Primary Commodities	Food	Beverages	Agricultural Raw Materials 4/	Metals		Fertilizers
(weights)		(100.0)	(32.9)	(6.8)	(32.3)	(26.7)	(1.3)	
		-----In Terms of US Dollars-----						
1987	84.0	87.5	84.3	134.6	87.3	79.4	88.9	79.2
1988	89.8	108.6	108.6	138.3	94.2	118.8	102.5	64.3
1989	94.6	106.8	110.6	114.6	97.3	112.0	104.7	77.9
1990	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1991	90.1	94.3	99.1	93.5	96.4	85.7	103.2	84.3
1992	89.5	94.4	101.3	80.5	99.0	83.7	98.0	82.8
1993	86.4	96.1	100.0	85.6	115.0	71.9	83.0	73.0
1994	92.2	109.0	105.1	149.7	125.9	83.8	89.6	69.4
1995	99.8	118.1	113.7	151.1	131.3	100.2	99.1	74.8
1996	104.9	116.7	127.5	124.9	127.7	88.2	112.7	88.6
1997	100.6	112.9	113.7	165.5	119.1	90.9	113.9	83.8

1998	79.6	96.2	99.2	140.3	99.6	76.1	117.1	56.9
97Q1	106.1	116.6	120.3	147.0	126.8	92.0	116.3	91.7
97Q2	101.7	117.2	116.6	189.6	123.0	92.8	114.2	80.5
97Q3	98.5	111.2	107.5	167.6	117.8	93.4	111.9	81.2
97Q4	96.1	106.4	110.4	157.8	108.7	85.4	113.3	82.0
98Q1	85.1	102.2	106.4	165.1	102.8	79.6	117.1	61.6
98Q2	81.1	98.2	101.2	141.8	102.0	77.6	118.0	57.8
98Q3	77.2	92.3	93.3	129.1	96.8	74.9	117.9	56.6
98Q4	75.0	92.2	96.1	125.3	96.8	72.2	115.5	51.6
99Q1	73.3	89.4	89.8	119.3	99.3	68.1	115.4	51.3
99Q2 ⁶	80.7	87.7	83.8	110.9	98.5	72.2	115.1	71.2
97Oct.	99.0	107.4	109.7	155.6	110.5	88.3	111.5	87.5
97Nov.	97.3	107.5	111.9	152.5	111.1	85.9	114.2	83.4
97Dec.	92.0	104.4	109.6	165.5	104.4	82.0	114.2	75.0
98Jan.	86.9	102.5	107.7	169.7	100.8	80.2	117.0	65.5
98Feb.	85.6	103.1	106.9	170.6	104.2	79.1	117.0	61.7
98Mar.	82.7	101.1	104.6	154.8	103.3	79.6	117.3	57.6
98Apr.	82.5	100.3	103.2	150.2	102.8	80.1	117.5	58.3
98May	82.7	98.7	101.8	141.4	103.0	77.7	117.8	60.8
98June	78.1	95.5	98.7	133.9	100.1	74.9	118.6	54.3
98July	77.3	93.4	97.1	128.7	96.1	75.1	118.6	55.3
98Aug.	75.9	91.7	91.5	132.8	96.5	74.4	118.1	54.3
98Sep.	78.3	91.7	91.2	125.9	97.8	75.1	117.0	60.0
98Oct.	77.5	92.0	95.5	123.3	96.5	72.9	116.6	57.7
98Nov.	75.5	93.0	97.5	126.4	97.0	73.0	115.3	51.7
98Dec.	72.1	91.7	95.3	126.3	97.0	70.7	114.7	45.3
99Jan.	73.7	91.2	94.0	124.2	99.2	68.3	115.9	49.8
99Feb.	71.0	88.8	88.8	118.1	98.5	68.4	115.2	46.8
99Mar.	75.3	88.5	86.6	115.6	100.2	68.2	115.2	57.3
99Apr.	79.8	87.6	85.0	110.9	97.8	71.4	115.2	69.0
99May ⁶	81.6	88.7	83.9	112.1	100.2	73.5	115.2	71.9
99June ⁶	82.1	89.0	82.6	109.7	104.5	71.7	114.8	72.7

¹Weights are based on 1987-89 average world export earnings.

²Petroleum and non-fuel primary commodities index. The weights are 57 per cent for the index of non-fuel primary commodities prices and 43 per cent for the index of petroleum prices.

³Indices comprise 39 price series for 33 non-fuel primary commodities.

⁴Includes forestry products.

⁵Spot crude. Average of UK Brent, Dubai, and West Texas Intermediate, equally weighted.

⁶Provisional.

Source: International Monetary Fund.

Attachment 4

G/AG/GEN/35: Communication from the Executive Director of the International Grains Council presented to the 25-26 March 1999 meeting of the Committee on Agriculture

In my letter of 3 December 1997, I informed you that members of the Food Aid Committee had decided to open the Food Aid Convention, 1995 for re-negotiation, thus following up on the Recommendations that WTO Ministers adopted at their Singapore Conference in respect of Least-Developed and Net Food-Importing Developing Countries.

These negotiations were completed on 24 March. Under cover, I have pleasure in conveying to you the text of a new Food Aid Convention 1999 (FAC) which, subject to the necessary actions by member Governments, will come into effect on 1 July 1999.

The objectives of the FAC 1999 are "to contribute to world food security and to improve the ability of the international community to respond to emergency food situations and other food needs of developing countries".

Under the new Convention, the list of eligible products which may be supplied has been broadened significantly beyond cereals. There are also stronger provisions to cover transportation and other operational costs associated with food aid transactions, especially when food aid is directed to least-developed countries and in emergencies.

FAC donors may now express their commitments in tonnage, or in value, or in a combination of tonnage and value. Accordingly, the minimum annual tonnage and value commitments of FAC members amount in total to 4,895,000 tonnes (wheat equivalent) and ~130 million, respectively.

When allocating their food aid, FAC members will give priority to Least-Developed Countries and Low-Income Countries – many of which are on the WTO list of Net Food-Importing Developing Countries (NFIDCs). Eligible food aid recipients will include Lower Middle-Income Countries and all other countries on the present WTO list of NFIDCs, when experiencing food emergencies or internationally recognized financial crises leading to food shortage emergencies, or when food aid operations are targeted on vulnerable groups.

The new FAC contains stronger provisions to promote local agricultural development in recipient countries. This includes possible "triangular transactions" i.e. donor countries using their cash contributions to purchase food in developing countries for supply to a recipient country, and "local purchases", i.e. food being purchased by donors in one part of a developing country for supply to a deficit area in that country.

All FAC food aid to least-developed country recipients covered by members' commitments will be in the form of grants. Overall, food aid provided in the form of grants under this Convention will represent not less than 80 per cent of a member's contributions and, to the extent possible, members will seek progressively to exceed this percentage.

In determining whether, and the extent to which, food aid provision on long-term concessional credit terms should continue to be covered under any Food Aid Convention, FAC members will take account of the results of relevant multilateral negotiations bearing on food aid.

All FAC members agreed that the provisions of the new Convention should neither prejudice nor constrain future negotiations, including those in the framework of the WTO, on the status of food aid provisions on concessional credit terms. The EU and some other members re-affirmed their opinion that food aid provided under credit terms should no longer be included in the list of food aid operations.

The new FAC will seek to improve the effectiveness and the impact of food aid transactions, *inter alia*, in terms of the assessment of food aid needs, the monitoring of the aid provided, and co-operation between food aid donors, recipients and others concerned. In addition, the provision of food aid under the FAC will not be tied in any way to commercial exports of goods or services to recipient countries.

During the negotiations, a dialogue was maintained with food aid recipient countries. Efforts to broaden the list of FAC donors were also made and will continue. I am also pleased to note that close co-operation with the WTO was maintained throughout, regular progress reports being made to the Committee on Agriculture.

FAC members have emphasized that the new Food Aid Convention is evidence of their desire to maintain international cooperation in support of world food security and to follow up on the WTO Singapore Ministerial recommendations. Whether their specific FAC commitments are expressed in

volume or in value, they are all about meeting the food aid needs of developing countries adequately, irrespective of fluctuations in world food prices and supplies.

Attachment 5

Technical and financial assistance under paragraph 3(iii) of the Decision

Notifying Member	Programme	Currency	1995	1996	1997
Australia	Total	A\$ mill.	351.8	400.4	263.0
	AusAID multilateral core funding		227.0	230.5	161.9
	AusAID regional funding		11.4	9.7	8.1
	AusAID bilateral		24.2	48.1	44.5
	AusAID scholarships		42.0	18.1	30.4
	AusAID humanitarian relief		13.4	81.5	7.2
	ACIAR multilateral programmes		24.0	9.4	8.9
	ACIAR bilateral programmes		9.8	3.2	2.1
Canada	Total	C\$ mill.	299.3	271.3	290.9
	CIDA multilateral core funding		253.4	215.8	243.3
	CIDA bilateral programmes		25.2	25.3	16.9
	CIDA Canadian Partnership Branch		8.3	5.8	5.4
	IDRC bilateral programming		4.5	3.6	3.2
	DFAIT multilateral core funding		7.9	20.8	22.1
EC	Total	ECU mill.	1,117.0	NNR	NNR
	EDF- ACP countries		465.9		
	Development projects with other countries		651.1		
Japan	Total	US\$ mill.	434.3	688.2	395.8
	grant aid		268.1	202.1	158.0
	technical cooperation		107.1	129.7	114.4
	ODA loans		59.1	356.5	123.4
New Zealand	Total	NZ\$ mill.	3.3	4.2	5.9
	multilateral core funding/other multilateral		1.5	2.4	3.8
	regional		0.7	0.5	0.3
	bilateral		1.1	1.4	1.8
Norway	Total	NOK mill.	648.6	718.9	818.5
	WFP contribution		213.0	219.0	208.2
	bilateral programmes		285.8	297.7	338.1
	emergency relief aid		149.8	202.2	272.2
South Africa	Total bilateral aid	'000 Rand	705.6	355.0	865.0
Switzerland	Global total international cooperation	SFr mill.	1,356.9	1,373.3	1,334.9
	bilateral ODA – Africa		n.a.	280.9	269.6
	bilateral ODA – Asia		n.a.	249.6	216.5
	bilateral ODA – Latin America		n.a.	118.4	100.4
USA	Total	US\$ mill.	1,080.1	889.1	1,256.6
	USAID global assistance to agriculture		88.0	37.1	33.6
	USAID bilateral assistance to agriculture		157.7	--	--
	contributions to multilateral organizations		829.5	846.4	1217.5
	Cochran Fellowship Program		0.3	0.3	0.3
	Peace Corps		4.7	5.2	5.2

Abbreviations:

NNR no notification received
 AusAID Australian Agency for International Development
 ACIAR Australian Centre for International Agricultural Research
 CIDA Canadian International Development Agency
 IDRC International Development Research Centre
 DFAIT Department of Foreign Affairs & International Trade
 EDF European Development Fund
 ODA Official Development Assistance

Notes: Annual reporting periods differ among Members.
 EC aid excludes aid provided by member States.
 For further details, see NF:1 notifications.

**SUMMARY REPORT BY THE CHAIRMAN TO THE SEPTEMBER 1999 MEETING OF
THE COMMITTEE ON AGRICULTURE ON THE PROCESS OF ANALYSIS AND
INFORMATION EXCHANGE: 1997-1999 (AIE/R)**

The present report by the Chairman of the Committee on Agriculture, Ambassador Nestor Osorio Londoño, is submitted on his own responsibility as agreed by the Committee.

In accordance with the Committee's decision of 25 June 1999 (G/AG/R/19) the following is my factual summary report of the work undertaken under the process of Analysis and Information Exchange (AIE) during the period March 1997 to September 1999.

1. The AIE process originated from a recommendation of the Committee on Agriculture for the purposes of the Singapore Ministerial Conference, contained in the report adopted by the Committee

on Agriculture on 6 November 1996 (G/L/131, dated 7 November 1996). Paragraph 12 of that report reads:

"The negotiations to continue the reform process referred to in Article 20 of the Agreement on Agriculture, will be conducted in conformity with the timetable and all other provisions contained in that Article. Useful experience will be gained by the Committee on Agriculture in reviewing the implementation of existing commitments which will enable the Committee on Agriculture to further pursue in 1997 and thereafter:

- (a) the assessment of the compliance with these commitments, taking into account the need for full and timely compliance; and
- (b) a process of analysis and information exchange, in accordance with all relevant provisions of the Agreement on Agriculture.

This will allow WTO Members to better understand the issues involved and to identify their interests in respect of them before undertaking the mandated negotiations laid down in Article 20.¹"

¹ Article 20 - Continuation of the Reform Process:

"Recognizing that the long-term objective of substantial progressive reductions in support and protection resulting in fundamental reform is an ongoing process, Members agree that negotiations for continuing the process will be initiated one year before the end of the implementation period, taking into account:

- (a) the experience to that date from implementing the reduction commitments;
- (b) the effects of the reduction commitments on world trade in agriculture;
- (c) non-trade concerns, special and differential treatment to developing country Members, and the objective to establish a fair and market-oriented agricultural trading system, and the other objectives and concerns mentioned in the preamble to this Agreement; and
- (d) what further commitments are necessary to achieve the above-mentioned long-term objectives."

2. At the Singapore Ministerial Conference, Ministers agreed "to a process of analysis and exchange of information, where provided for in the conclusions and recommendations of the relevant WTO bodies, on the Built-in-Agenda issues, to allow Members to better understand the issues involved and identify their interests before undertaking the agreed negotiations and reviews" (WT/MIN(96)DEC, paragraph 19).

3. At its meeting on 13-14 March 1997, the Committee on Agriculture agreed "that the process of analysis and information exchange ... would be undertaken through open-ended informal meetings of the Committee on the basis, *inter alia*, of papers to be submitted by Members. Such papers, including any contributions that may be requested from the Secretariat, would remain informal documents and would be available to all Members. The detailed arrangements for carrying out the process of analysis and information exchange, including the frequency of meetings, would be organized as appropriate by the Chairperson following consultations. For transparency purposes an item relating to the process of analysis and information exchange would be included in the agenda of regular meetings of the Committee to enable the Chairperson to make a factual and summary report to the Committee on the process" (G/AG/R/10 and Corr.1).

4. In the course of the 12 meetings of the AIE process held between March 1997 and September 1999, a total of 74 informal papers by 36 Members were discussed, including 13 informal

papers by 24 developing countries. As can be seen from the list of AIE documents in Attachment 1, these papers covered a wide variety of topics. Informal papers submitted following the September 1999 meeting would be circulated and annotated accordingly in the list of AIE documents.

5. In addition, as requested by Members, the Secretariat contributed background papers to assist the work of the AIE process (Attachment 1 refers). A number of these background papers have been regularly revised in order to provide a more up-to-date overview of the data and other information notified by Members in the main implementation areas. It would be useful for the purposes of Members' on-going and future work on implementation generally if these papers were to be re-issued as documents of the Committee on Agriculture as from January 2000.

6. The Chairman's summary reports on the individual meetings of the AIE process are reproduced in Attachment 2. As had been agreed, no conclusions were drawn from the discussions. The summary reports made by the Chairman on his own responsibility to the formal meetings of the Committee on Agriculture were only designed to provide a brief summary of the subjects discussed and some of the main points raised by Members in the discussion.

7. On the occasion of the final meeting of the Committee on Agriculture in the framework of the AIE process, held on 28-29 September 1999, Members agreed that this process had been conducted in an effective manner and that it has been useful in giving them a better understanding of the issues involved and identifying their interests before starting the forthcoming negotiations on agriculture.

Attachment 1

AIE: PROCESS OF ANALYSIS AND INFORMATION EXCHANGE

Informal Documents Presented by Members

- AIE/1: by Australia on Administration of Tariff Quotas - 13 May 1997
- AIE/2: by the United States on Circumvention of Export Subsidy Commitments - 16 May 1997
- AIE/3: by the United States on Data Supplied Through Notifications - 16 May 1997
- AIE/4: by Australia on "Green Box" Domestic Support - 16 May 1997
- AIE/5: by New Zealand on Tariff Quota Administration - 12 August 1997
- AIE/6: by Pakistan, Peru and the Dominican Republic on Issues of Interest to Developing Countries - 19 September 1997
- AIE/7: by the United States on Administration of Tariff-Rate Quotas - 22 October 1997
- AIE/8: by Uruguay on Implementation of Tariff Commitments - 24 October 1997

- AIE/9: by Australia on Tariff Quota Administration: First-Come, First-Served (FCFS) - 29 October 1997
- AIE/10: by the United States on Article 6.5: Direct Payments Under Production-Limiting Programs - 31 October 1997
- AIE/11: by the United States on State Trading Enterprises: Single Desk Buyers and Single Desk Sellers - 31 October 1997
- AIE/12: by Cuba on Special and Differential Treatment and Food Importing Developing Countries - 18 December 1997
- AIE/13: by the United States on Special Agricultural Safeguard: Data and Analytical Issues - 19 January 1998
- AIE/14: by the European Community on Direct Payments under Production-Limiting Programmes - 20 January 1998
- AIE/15: by Australia on Article 6.5: Direct Payments under Production-Limiting Programs - 27 January 1998
- AIE/16: by Australia on State Trading Enterprises (Single Desk Buyers and Single Desk Sellers) - 27 January 1998
- AIE/17: Paper based on NZ's comments (20 January 1998) on the US paper on State Trading Enterprises (AIE/11) - 5 February 1998
- AIE/18: Paper based on NZ's comments (20 January 1998) on the Secretariat background paper on Export Subsidies (AIE/S3) - 5 February 1998
- AIE/19: Paper by the United States on Domestic Support Policy Reform (the Federal Agriculture Improvement and Reform Act of 1996) - 4 March 1998
- AIE/20: Paper by New Zealand on Article 5: Special Safeguard Provisions - 5 March 1998
- AIE/21: Paper by Canada on Sectoral Trade Liberalization - 17 March 1998
- AIE/22: Paper by Norway on Non-Trade Concerns in a Multifunctional Agriculture - Implications for Agricultural Policy and the Multilateral Trading System - 2 June 1998
- AIE/23: Paper by Canada on Annex 2: Domestic Support Measures Exempt from Reduction Commitments - 2 June 1998
- AIE/24: Paper by Canada on Export Restrictions and Taxes - 2 June 1998
- AIE/25: Paper by Japan on Non-Trade Concerns on Agriculture - 2 June 1998
- AIE/26: Paper by the United States on Annex 4: Equivalent Measurement of Support - 2 June 1998
- AIE/27: Paper by Australia: Reforming Domestic Support for Agriculture - 5 June 1998
- AIE/28: Paper by New Zealand - "Side Effects of Agricultural Policies and Production" - 9 June 1998
- AIE/29: Paper by the EC - Domestic Support Policy Reform: the Role of Article 6.5 Direct Payments - 19 June 1998
- AIE/30: Paper by India - Issues of Interest to Developing Countries - 23 June 1998
- AIE/31: Paper by Brazil - Trade Liberalization: Sectoral and "Across the Board" Initiatives - 6 July 1998
- AIE/32: Paper by Argentina - Non-Trade Concerns in the next Agricultural Negotiations - 27 July 1998
- AIE/33: Paper by South Africa - The Effect of Inflation on Reduction Commitments - 29 July 1998
- AIE/34: Paper by the United States - Non-Trade Concerns and Agriculture - 2 September 1998
- AIE/35: Paper by Australia - Decoupling Domestic Support - 4 September 1998
- AIE/36: Paper by Australia - Non-Trade Concerns - 4 September 1998
- AIE/37: Paper by the United States - Article 13 - Due Restraint Provisions - 15 September 1998

- AIE/38 Paper by the United States – Domestic Support – Response to AIE/23 and AIE/27 - 15 September 1998
- AIE/39 Paper by the Republic of Korea – Non-Trade Concerns in Net Food-Importing Countries – 22 September 1998
- AIE/40 Contribution of the European Community on the Multifunctional Character of Agriculture – 28 September 1998
- AIE/41 Paper by South Africa – The Negative Effects of Export Subsidies on Developing Countries – 26 October 1998
- AIE/42 Paper by Iceland – External Reference Price Adjustment – 27 October 1998
- AIE/43 Paper by Uruguay – Tariff Peaks and Tariff Escalation - 4 November 1998
- AIE/44 Paper by India – Food Security – An Important Non-Trade Concern - 16 November 1998
- AIE/45 Paper by Bulgaria, the Czech Republic, Hungary, Poland, the Slovak Republic and Slovenia – The Future Treatment of Domestic Support Commitments in the Case of Transition and Post-Transition Economics – 18 November 1998
- AIE/46 Paper by the United States – Administration of Tariff-Rate Quotas – 2 March 1999
- AIE/47 Paper by the United States – Food Security – The Impact of Export Taxes – 2 March 1999

- AIE/48 Paper by Norway – Environmental Effects of Trade Liberalization in the Agricultural Sector – 2 March 1999
- AIE/49 Paper by New Zealand – Domestic Support: Article 6.5 of the Agreement on Agriculture - Blue Box – 3 March 1999
- AIE/50 Paper by New Zealand – Export Credits – 3 March 1999
- AIE/51 Paper by Mauritius – Multifunctional Role of Agriculture in Small Island Developing States – 10 March 1999
- AIE/52 Paper by the European Communities – Article 5: Special Safeguard Clause for Agriculture – 10 March 1999
- AIE/53 Paper by the European Communities – The Agreement on Agriculture and the Need for Legal Security – 10 March 1999
- AIE/54 Paper by El Salvador, Honduras, Cuba, Nicaragua, the Dominican Republic and Pakistan – Issues Related to Market Access – 23 March 1999
- AIE/55 Paper by Canada – Data Requirements for Agricultural Negotiations – 16 April 1999
- AIE/56 Paper by the United States – High In-Quota Duties – 4 June 1999
- AIE/57 Paper by Norway – Food Security and the Role of Domestic Agricultural Food Production – 7 June 1999
- AIE/58 Paper by Uruguay – Agreed Conclusions of an UNCTAD Expert Meeting on Trade in Agriculture Held on 26 April 1999 – 7 June 1999
- AIE/59 Paper by Malaysia, Myanmar, Philippines and Thailand – Continuation of the Reform Process after the End of Implementation Period – 7 June 1999
- AIE/60 Paper by Japan – Multi-Functionality in Japan – 21 June 1999
- AIE/61 Paper by Japan – Food Security – 21 June 1999
- AIE/62 Paper by Japan – Export Regulations in the Existing Agreement – 21 June 1999
- AIE/63 Paper by Cuba, Dominican Republic, El Salvador, Honduras, Nicaragua, Pakistan, Sri Lanka and Uganda – Agreement on Agriculture: Issues Related to Special and Differential Treatment – 22 June 1999
- AIE/64 Paper by US – The "Multifunctional" Character of Agriculture, Food Security and Other Non-Trade Concerns – 22 June 1999
- AIE/65 Paper by Mauritius – Agriculture in Small Island Developing States – 9 July 1999
- AIE/66 Paper by the European Communities – Product Coverage of the Agreement on Agriculture – 14 September 1999
- AIE/67 Paper by Switzerland – The Multifunctional Dimension of Agriculture – 17 September 1999
- AIE/68 Paper by Norway – Appropriate Policy Measure Combinations to Safeguard Non-Trade Concerns of a Multifunctional Agriculture – 17 September 1999
- AIE/69 Paper by the US – Trade in Agricultural Biotechnology Products – 23 September 1999
- AIE/70 Paper by El Salvador, Cuba, Honduras, Dominican Republic, Pakistan, Sri Lanka and Zimbabwe – Agreement on Agriculture: Special and Differential Treatment - Non-Paper 2 - 24 September 1999
- AIE/71 Paper by EC – Administration of Tariff Rate Quotas – 27 September 1999
- AIE/72 Paper by EC – Food Quality, Reputation and Geographical Origin – 27 September 1999
- AIE/73 Paper by EC – Safeguarding the Multifunctional Role of EU Agriculture: Which Instruments? – 28 September 1999
- AIE/74 Paper by Uruguay – The Multifunctional Character of Agriculture and Land – 28 September 1999

Secretariat Background Papers

- AIE/S1/Rev.1: Tariff and Other Quotas - Revision - 26 May 1998 (to be updated)
- AIE/S2/Rev.2: Domestic Support – Revision – 23 September 1999
- AIE/S3/Rev.1: Export Subsidies – Revision - 11 August 1999
- AIE/S4/Rev.1: Tariff Quota Administration Methods and Tariff Quota Fill - Revision - 10 June 1998 (to be updated)
- AIE/S5: Ad valorem, Specific and other Tariffs - 6 February 1998
- AIE/S6: Special and Differential Treatment Provisions Relating to the Agreement on Agriculture - 16 February 1998
- AIE/S7: Studies on the Implementation and Impact of the Agreement on Agriculture on Developing Countries - 24 February 1998
- AIE/S8/Rev.1: NFIDC Decision – Actions Taken Within the Framework of the Decision as Notified by Members - Revision – 24 February 1999
- AIE/S9/Rev.1: Green Box Measures – Revision – 27 May 1999
- AIE/S10/Rev.1: Agricultural Trade Performance by Developing Countries – Revision 17 February 1999

- AIE/S11: Uruguay Round Agricultural Tariff Reductions for Selected WTO Members
According to Stage of Processing - 23 June 1998
- AIE/S12: Special Agricultural Safeguard - 9 October 1998
- AIE/S12: (Corrigendum): Special Agricultural Safeguard – 18 December 1998
- AIE/S13: Tariff Treatment of Products of Special Interest to Developing Country
Members – 28 July 1999
- AIE/S14: Agricultural Export Credits (to be circulated)

Attachment 2

PROCESS OF ANALYSIS AND INFORMATION EXCHANGE (AIEPROCESS)

Chairman's Summary Reports on Individual Meetings of the AIE Process: May 1997 to September 1999

* * * *

**First and Second Meetings of the AIE Process: Held on 27 May and on 25-26 June 1997 –
(G/AG/R/11, paragraph 44, refers)**

"(a) The Committee's decision on the follow-up to the Singapore Ministerial Declaration regarding the process of analysis and information exchange (now referred to as a matter of convenience as the "AIE Process") provides that "for transparency purposes an item relating to the process would be

included on the agenda of regular meetings of the Committee to enable the Chairperson to make a factual and summary report to the Committee on the process."

(b) In this light, the first session of the AIE process was held at an informal open-ended meeting of the Committee on 27 May 1997. The principal matters discussed related to the detailed arrangements for carrying out the AIE process. In summary the following arrangements were agreed:

- that in the current year informal meetings of the Committee for carrying out the AIE process would be held back-to-back with the regular meetings of the Committee on Agriculture in June, September and November, with the possibility, if necessary, of holding additional meetings in the interval between regular meetings;
- that in order for informal papers to be considered at a session of the AIE process they would have to be circulated by the Secretariat to all Members of the Committee at least three weeks prior to the session concerned. Informal papers would be circulated initially in their original language and as soon as practicable thereafter in the other working languages. Informal papers circulated after the three weeks deadline could be the subject of a general presentation at the next meeting but would not as such be for substantive consideration at that meeting, unless otherwise agreed on a case-by-case basis;
- that informal papers would generally be taken up individually in the AIE process in the order in which they have been circulated (each informal paper would be numbered and identified by code: e.g. AIE/1). Arrangements would be made by the Chairman, as appropriate, for joint consideration of informal papers dealing with the same or a related topic.

(c) Finally, as regards the first session of the AIE process, an informal paper on tariff quota administration was presented by Australia and was the subject of a preliminary exchange of views. Equally, two papers of the United States were presented but not yet subject of a preliminary exchange of views.

(d) The second session of the AIE process was held at an informal meeting of the Committee on 25 and 26 June 1997. Informal papers on the following topics were considered:

- AIE/1: by Australia on Administration of Tariff Quotas
- AIE/2: by the United States on Circumvention of Export Subsidy Commitments
- AIE/3: by the United States on Data Supplied Through Notifications
- AIE/4: by Australia on "Green Box" Domestic Support

(e) The discussion proved fruitful and there was general agreement to follow up the discussions in all relevant areas. With regard to the further discussions on the administration of tariff quotas, the initial analysis will focus on: (i) purpose of the tariff quota; (ii) the methods of allocation of tariff quotas; (iii) access to import licences; (iv) validity and timing of licence periods; (v) sub-allocation of broadly-defined tariff quotas to specific products and (vi) administrative barriers. This selection of items would be used to focus discussions, but would not limit reference to other items. The focus of following meetings would be left for further consideration, but on the understanding that other items would be covered at future AIE meetings.

(f) In addition, the Secretariat was requested to prepare factual background papers based on information provided by Members in notifications on the following subjects to assist the further work in the AIE process: (i) tariff quotas and imports within tariff quotas; (ii) a report on the availability of

information concerning *ad valorem* equivalents of specific duties; (iii) summary tables concerning domestic support and export subsidy commitments and amounts notified in respect of those commitments; and (iv) a listing of green box measures by category as notified by Members."

Third Meeting of the AIE Process: Held on 23 and 25 September 1997 –
(G/AG/R/12, paragraph 58, refers)

"(i) The Committee's decision on the follow-up to the Singapore Ministerial Declaration regarding the process of analysis and information exchange (now referred to as the "AIE Process") provides that "for transparency purposes an item relating to the process would be included on the agenda of regular meetings of the Committee to enable the Chairperson to make a factual and summary report to the Committee on the process." In this light, following the first two sessions of the AIE process reported on at the last meeting of the Committee (G/AG/R/11, paragraph 44 refers), an informal open-ended meeting of the Committee was held on 23 and 25 September. The informal papers circulated prior to the previous meetings were reconsidered, i.e.:

- AIE/1: by Australia on Administration of Tariff Quotas
- AIE/2: by the United States on Circumvention of Export Subsidy Commitments
- AIE/3: by the United States on Data Supplied Through Notifications
- AIE/4: by Australia on "Green Box" Domestic Support

plus two papers submitted were considered for the first time at this meeting:

- AIE/5: by New Zealand on Tariff Quota Administration
- AIE/6: by Pakistan, Peru and the Dominican Republic on Issues of Interest to Developing Countries.

In addition, a background paper on tariff and other quotas by the Secretariat (AIE/S1) was made available to the informal meeting.

"(ii) As indicated would be the case in my report to the last meeting, the AIE meeting focused on certain aspects of issues raised under the topic of tariff quota administration. Once again there were, in my view, very fruitful discussions. Concerning the purpose of tariff quotas, while Members agreed that the tariff quotas themselves were the basis of Members' commitments in this area, many Members believed it was also necessary to keep in mind the origins of different tariff quotas and what that may imply in terms of their administration.

"(iii) On the issues of the methods of allocation of tariff quotas and access to import licences, Members proposed a number of criteria that could be used to examine different administration methods (including, for example, equity, predictability, non-restrictiveness, and economic efficiency). Some Members noted that in many cases shortcomings of particular allocation methods could be overcome and this concept should also form part of future discussions along with the limits imposed by the WTO framework.

"(iv) Detailed discussions were also held on the validity and timing of licence periods, the sub-allocation of broadly-defined tariff quotas to specific products and administrative barriers. Among many other points, it was underlined that in the administration of tariff quotas Members must

keep in mind implications and effects on the business community, both domestically and abroad. The discussion was not exhaustive and the topics are sure to be revisited in the future.

"(v) A paper was introduced into the process by Pakistan, Peru and the Dominican Republic and welcomed by a large number of Members. A substantive discussion on the paper will be held at the next (November) meeting under the AIE process.

"(vi) In concluding the meeting I noted that the next meeting would cover the Pakistan, Peru and the Dominican Republic paper and other new papers received by the three week deadline - a number of Members indicated such papers were likely to be forthcoming. The papers that had already been submitted on domestic support and export subsidy issues would also be for further discussion along with more issues in the area of tariff quota administration with reference to papers already presented. The Secretariat confirmed that, as requested by Members, it would continue its factual work.

"(vii) This being said, in concluding my report on the AIE process I would like to remind Members that, as agreed, the process "would be undertaken through open-ended informal meetings of the Committee on the basis, *inter alia*, of papers to be submitted by Members" (G/AG/R/10, paragraph 36). I am reiterating this in order to encourage Members to ensure that all topics of interest to them can be discussed in the process and to remind you that the presentation of a paper is not a prerequisite for an issue to be discussed as I am aware of the difficulties faced by some Members in preparing papers."

Fourth Meeting of the AIE Process: Held on 19-20 November 1997 –
(G/AG/R/13, paragraph 45, refers)

"(i) The Committee's decision on the follow-up to the Singapore Ministerial Declaration regarding the process of analysis and information exchange (now referred to as the "AIE Process") provides that "for transparency purposes an item relating to the process would be included on the agenda of regular meetings of the Committee to enable the Chairman to make a factual and summary report to the Committee on the process" (G/AG/R/10, paragraph 36, refers). In this light, following the first three sessions of the AIE process reported on at previous meetings of the Committee (G/AG/R/11, paragraph 44 and G/AG/R/12, paragraph 58 refer), an open-ended informal meeting of the Committee was held on 19 and 20 November. Members had before them 11 informal papers submitted by Members along with four background papers prepared by the Secretariat i.e.:

Informal papers submitted by Members:

AIE/1: by Australia on Administration of Tariff Quotas

- AIE/2: by the United States on Circumvention of Export Subsidy Commitments
- AIE/3: by the United States on Data Supplied Through Notifications
- AIE/4: by Australia on "Green Box" Domestic Support
- AIE/5: by New Zealand on Tariff Quota Administration
- AIE/6: by Pakistan, Peru and the Dominican Republic on Issues of Interest to Developing Countries
- AIE/7: by the United States on Administration of Tariff Quotas
- AIE/8: by Uruguay on Implementation of Tariff Commitments
- AIE/9: by Australia on Tariff Quota Administration: First-come, First-served
- AIE/10: by the United States on Article 6.5: Direct Payments under Production-Limiting Programmes
- AIE/11: by the United States on State Trading Enterprises (Single Desk Buyers and Single Desk Sellers)

Secretariat background papers:

- AIE/S1: Tariff and Other Quotas
- AIE/S2: Domestic Support
- AIE/S3: Export Subsidies
- AIE/S4: Tariff Quota Administration Methods and Tariff Quota Fill.

"(ii) The meeting focused on those papers that had been submitted since the last meeting in the AIE process, or that had only been subject to preliminary review in the previous meeting.

"(iii) Specifically, the paper by Pakistan, Peru and the Dominican Republic on Issues of Interest to Developing Countries was warmly received by a large number of delegations. Members underlined the importance of examining the situation of developing country Members in the post-Uruguay Round period and a number of Members indicated that they intended to submit papers on specific issues and examples from their experiences to the group to enhance work on this topic in the future. Many Members referred to the work being carried out by other international organizations and their role in helping developing country Members identify issues of particular interest in order to assist all Members' full integration into the international trading system. A number of delegations suggested that the Secretariat act as a coordinating body for bringing together the work of other organizations and proposed areas of work which could be undertaken by the Secretariat directly, concerning, for example, statistics on trade patterns. Reference was made to action taken under the Ministerial Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries as also being relevant to this topic.

"(iv) In light of suggestions made, the Secretariat undertook to provide to the March meeting of the AIE process, an overview of relevant information concerning special and differential treatment provisions relating to the Agreement. It would also provide a listing of studies which have been undertaken by the WTO and other international organizations on topics relevant to the issue. It was also noted that tariff line trade data such as that contained in the IDB would be required to carry out effective analyses in this area. I will consult with Members on the best way for developing country Members to submit information on their specific experiences to the AIE process and solicit views on relevant information which could be sought from other international organizations. When other international organizations are in a position to make additional information available they would be invited, on an ad hoc basis, to make a specific presentation on it to the AIE process.

"(v) On the issue of tariff quota administration, there was a wide-ranging discussion on the issues raised by the United States' paper on the subject (AIE/7). Many Members appeared to consider that the paper provided a good overview of the advantages and disadvantages of the various tariff quota administration mechanisms in use. During the discussion, reference was also made to papers that had been presented to the process at earlier meetings and to the Secretariat background papers. A number of Members commented that, in their view, the paper showed that there was no one single method of tariff quota administration which could be considered superior in all cases having regard to the range of products and circumstances involved. It was also suggested that there was a certain balancing act that had to be undertaken to satisfy different objectives such as the greatest possible reduction of restrictions to trade, an orderly management of imports throughout a year, a reduction of bureaucratic intervention, control of speculation and the promotion of competition. Discussions concerning the issue of quota rents also took place with differing views concerning the effects on the shares of quota rents obtained by importers and exporters of different administration methods and the potential for quota rents to encourage vested interests which may not support further trade liberalization.

"(vi) Continuing on the topic of tariff quota administration, Members discussed Australia's informal paper on the first-come, first-served (FCFS) allocation method and the particular

advantages and disadvantages of that system (AIE/9). It was noted that a distinction needed to be made between FCFS allocation methods which involved the issuance of licences and those that relied solely on the physical entry of goods. A number of Members, while acknowledging the potential disadvantages of the FCFS method, considered that some of them could be readily addressed through means such as the use of a number of tranches of the tariff quota throughout the year and penalties applying to importers if allocations were not fully used. The reallocation of shortfalls where a tariff is apparently not going to be filled during a period was also discussed. Such re-allocations could be used in cases where an individual importer was unable to import its allocated quantity or, in cases where a country-specific allocation was involved, a supplying country would not fill its allocation. A number of other issues were raised such as the implication such reallocations could have for future year's allocations, the eventual participation of new participants and the possibility of rolling over unused portions of tariff quotas to the next year. A number of Members offered the view that while such mechanisms may enhance tariff quota fill rates, they went beyond the obligations of Members which were to provide access opportunities in line with their scheduled commitments.

"(vii) As to the paper presented by Uruguay on the implementation of tariff commitments, it was noted that while the Uruguay Round had involved the replacement of non-tariff barriers with tariffs, a number of those tariffs remained high and in some cases specific duties or specific components also required study. A number of Members proposed that information should be collected on trade flows on tariff lines which had tariffs resulting from the Uruguay Round's tariffication process to further the discussion, along with an examination of ad valorem equivalents of non-ad valorem duties. Other Members did not consider that the scope of such a discussion lay within the AIE process. Concerning measures such as entry prices, non-automatic licensing systems and similar measures as raised in the paper by Uruguay, some Members considered that this was not an appropriate topic for discussion since, if other Members considered that these measures were in conflict to the WTO rules, other avenues were available, including the dispute settlement system. Other Members considered that it was appropriate to continue discussions in this area in the context of considering options for the upcoming negotiations that would tackle the specific problems facing some agricultural trade. The Secretariat undertook to examine the availability of statistics on out-of-quota trade in agricultural products in the context of the work under way on examining the availability of ad valorem equivalents of specific duties.

"(viii) A preliminary discussion was undertaken on the United States' paper on Article 6.5 of the Agreement. Some Members considered the issue deserved attention as there were only a very limited number of Members overall using the provision and it was, in their view, not based on sound economics and could delay the transition of agricultural policy towards the green box of measures (Annex 2 of the Agreement). Other Members did not consider there were reasons to examine the provision as in their view it was not inconsistent with the general reform process, it was not a transitional measure nor was the AIE process an appropriate forum for discussing possible changes to the provision's criteria or its elimination. As this informal paper of the United States was for preliminary discussion it is to be revisited.

"(ix) A preliminary discussion was also held on the United States' informal paper on State trading enterprises (single desk buyers and single desk sellers). Many Members recognized that the paper provided a rather complete outline of potential trade distortions which could result from the use of such entities. Some Members, however, did not consider that the potential was always backed up by practical experience and that some of the potential trade distortions cited in the paper necessarily contradicted others. In their view the entities were, in some cases, the most appropriate means of carrying out certain objectives such as stock piling for security

reasons and the attainment of economies of scale. As this informal paper of the United States was for preliminary discussion it too is to be revisited.

"(x) While the general back-to-back nature of AIE meetings with those of the Committee on Agriculture was noted, it was agreed to hold an additional meeting of the AIE process on 20 January 1998.

"(xi) This being said, in concluding my report on the AIE process I would like to remind Members that, as agreed, the process "would be undertaken through open-ended informal meetings of the Committee on the basis, *inter alia*, of papers to be submitted by Members" (G/AG/R/10, paragraph 36). I am reiterating this in order to encourage Members to ensure that all topics of interest to them can be discussed in the process and to remind you that the presentation of a paper is not a prerequisite for an issue to be discussed as I am aware of the difficulties faced by some Members in preparing papers."

The European Communities, Switzerland and Japan took the floor to express the concern that the Chairman's report on the process of analysis and information exchange and thus the discussions undertaken within the framework of the AIE process were too detailed and formalized. According to the

representative of the European Communities, circulation of the Chairman's report on the process of analysis and information exchange to the Committee, would make it a public document and would thus enable the informal AIE discussions to be traced publicly. As the AIE process developed, and more sensitive issues were discussed, such detailed reports by the Chairman could, therefore become more controversial. The representatives of the United States, Mexico, Argentina, Uruguay, the Dominican Republic, Malaysia, Peru, Brazil, Venezuela, Chile, Ivory Coast and South Africa, respectively, stated their appreciation of the Chairman's report on the process of analysis and information exchange, a report which, in their view, was factual and perfectly neutral and balanced, as mandated by the Committee.

The Chairman noted that the report on the process of analysis and information exchange was made on his responsibility as Chairman, on a factual and informal basis as mandated by the Committee (G/AG/R/10, paragraph 36 refers).

Fifth and Sixth Meetings of the AIE Process: Held on 20 January and 18 March 1998 –
(G/AG/R/14, paragraph 30, refers)

"(i) In line with paragraph 36 of G/AG/R/10, the following is my factual and summary report as Chairman on meetings of the AIE process held on 20 January and 18 March 1998.

"(ii) First of all, at both meetings there was a wide-ranging and very useful discussion regarding analysis and exchange of information on issues of interest to developing countries and on special and differential treatment. This was on the basis of informal papers presented by Pakistan, Peru and the Dominican Republic (AIE/6), by Cuba (AIE/12), as well as Secretariat background notes made available in advance of the March meeting on Special and Differential Treatment Provisions Relating to the Agreement on Agriculture (AIE/S6) and on Studies on the Implementation and Impact of the Agreement on Agriculture on Developing Countries (AIE/S7). As part of the follow-up to these discussions the Secretariat will prepare supplementary background material, as appropriate, on trade data and tariff bindings for selected major products of interest to developing countries in line with the suggestions made in this regard. Developing country Members were invited to submit country papers on

specific issues, related to their experience in the implementation and impact of the Agreement, including on import and exporting trends. It was also indicated that analysis related to food security and net food-importers will be of relevance.

"(iii) In this general regard I undertook to consult with Members in advance of the next meeting regarding a possible check-list of issues to be developed, on the basis of the various suggestions made by Members, for focusing further work on special and differential treatment in the contexts of market access, food security, domestic support, export subsidies, notification requirements and technical assistance. It would also be my intention to consult with Members regarding the basis on which observer international organizations would be invited to make a specific contribution on an ad hoc basis to a forthcoming meeting of the AIE process.

"(iv) The special agricultural safeguard mechanism (SSG) and proposals for a Secretariat background paper on this subject were discussed at the January AIE meeting on the basis of an informal paper by the United States. The further discussion on the SSG encompassed the more recently circulated informal paper by New Zealand (AIE/20) on the operation of the special safeguard. Some of the points made in this regard were that: the use of the SSG involved no injury test and thus had the potential to be used in an arbitrary fashion; that the volume-based SSG could be implemented on the basis of a zero trigger level or when tariff quotas were under-filled; that the price-based safeguard was being applied to minuscule import quantities; and that greater transparency regarding the use of the SSG was required. Reference was also made to the limited use thus far made of the SSG and of the need to review the justification for its continuation. Amongst other points made it was stressed that the SSG was an integral part of the tariffication package; that the Agreement foresees its duration throughout the reform process; that relatively tight market conditions in recent years did not mean that the SSG would not be used more extensively and would not continue to have an important general function in the future. Further AIE discussion on the SSG will be undertaken on the basis, *inter alia*, of an informal background paper which the Secretariat is to prepare. In this regard it was suggested that the background paper should, if possible, take account of the impact of the SSG on imports from developing countries.

"(v) Informal papers presented by the United States (AIE/10), by the European Community (AIE/14), and by Australia (AIE/15) provided a basis for a discussion on Article 6.5 Blue Box payments, namely, payments under production-limiting programmes. Some of the main points addressed were: whether the Blue Box was or should be a transitional or a more enduring feature of the Agreement; the relative advantages and disadvantages of Blue Box payments in the context of domestic agricultural policy reform, including the role of such payments in relation to non-trade concerns; and the need to discuss Blue Box payments in the broader domestic support context, having regard, *inter alia*, to the scope for achieving domestic policy objectives and non-trade concerns through minimally trade-distorting and relatively more efficient Green Box measures. Several Members applying Blue Box measures indicated that they intended to submit papers on their experience in applying such measures as a contribution to the further discussion on this subject.

"(vi) On the subject of State Trading Enterprises (Single Desk Buyers and Single Desk Sellers) there was a discussion at both the January and March AIE meetings: the relevant informal papers were those submitted by the United States (AIE/11), by Australia (AIE/16) and by New Zealand (AIE/17). A wide range of points were raised regarding the distortions to market access and to conditions of competition on world markets which could arise from the operations of state trading enterprises. At the same time reflections were made about the role of such enterprises in the stabilization of domestic prices and in ensuring adequate supplies for food security purposes. It was also noted that more practical examples were

needed regarding the scope, activities and potential for trade distortion of state trading enterprises as a basis for further discussions in this area.

"(vii) The discussion on export subsidies at both AIE meetings was focused on a range of issues, including the downstream flexibility, breaches of commitments, circumvention, and the problem of late compliance with the notification requirements. The background paper by the Secretariat on export subsidies (AIE/S3) and the informal paper submitted by New Zealand in advance of the March meeting (AIE/18) both constitute very useful inputs to the continuing discussion in this area.

"(viii) Recently circulated papers by the United States on Domestic Support Policy Reform (AIE/19) and by Canada on Sectoral Trade Liberalization (AIE/21) were the subject of general presentations and are for substantive consideration at the next AIE meeting. Finally the opportunity was taken to have an initial exchange of views on the Secretariat background paper on Ad Valorem, Specific and other Tariffs (AIE/S5), on the basis that this paper would also be for substantive discussion at the next AIE meeting, which will take place on 24 June 1998."

The representative of the European Communities noted that during the discussion on issues of interest to developing countries as well as special and differential treatment, the suggestion was made that developed countries provide reports on initiatives they had taken, on an autonomous basis, particularly with regard to least-developed countries. The Chairman's report also did not make reference to the fact that on the United States' paper on Domestic Support Policy Reform (AIE/19), a range of views were expressed, including by the European Communities. The Chairman responded that this paper was for preliminary consideration and that he intended to reflect the points that were made following the substantive discussion of the paper in June 1998.

Seventh Meeting of the AIE Process: Held on 24 June 1998 –
(G/AG/R/15, paragraph 68, refers)

"(i) In line with paragraph 36 of G/AG/R/10, the following is my summary report as Chairman on the meeting of the AIE process held on 24 June 1998.

"(ii) The first theme considered at this meeting was special and differential treatment. Members had the benefit of a new informal paper submitted by India on Issues of Interest to Developing Countries (AIE/30). In addition, the Secretariat had provided three new background notes concerning Actions taken Within the Framework of the Net-Food Importer Decision as Notified by Members (AIE/S8), concerning the Agricultural Trade Performance of Developing Countries (AIE/S10) and concerning Uruguay Round Agricultural Tariff Reductions for Selected WTO Members According to Stage of Processing (AIE/S11). Moreover, there was an opportunity to revert to the related informal papers by Pakistan, Peru and the Dominican Republic (AIE/6) and Cuba (AIE/12) as well as the Secretariat Background notes AIE/S6 and AIE/S7.

"(iii) The further discussion on issues of interest to developing countries and on special and differential treatment was useful in helping to bring a clearer focus to bear on the main areas where detailed analysis and exchange of information needs to be undertaken in a systematic way. Thus it will be appropriate to develop a checklist of issues in the five principal areas of: market access; food security with particular reference to net food-importing and least-developed developing countries; domestic support; export subsidies; and notification requirements and technical assistance.

"(iv) In this regard it was stressed that, given the wide range of situations and interests involved, it was important for the work in this area that developing countries submit country papers on their own experience with regard to implementation of the Uruguay Round Agreement on Agriculture, identifying both positive elements and any problems or obstacles encountered in taking advantage of the opportunities created by the Uruguay Round. To this end short concise papers would suffice since these often attract more attention in capitals than longer convoluted papers. The Secretariat would of course be willing to assist developing countries as appropriate so that they can more effectively organize their experiences in the form of country papers for submission to the AIE Process. The Secretariat in its further work on the trade performance of developing countries will also provide additional data on the trade performance of least developed countries in the context of a revision of the background note AIE/S10.

"(v) I will of course be continuing my informal consultations on these matters (as I did between the previous meeting and this one), including on the checklist of issues and on the arrangements for a proposed ad hoc informal meeting, to which relevant international organizations could be invited in order to present updated assessments of the impact of the implementation of the results of the Uruguay Round, with particular focus on the impact of the implementation of the Agreement on Agriculture for developing countries.

"(vi) The discussion on the informal paper encompassed a number of key issues regarding the role of this mechanism, including its preventive role in relation to import surges and significant price declines and in facilitating adjustment to further reform. It was pointed out that the special agricultural safeguard represented a major exception relative to the WTO rules applicable to trade in goods generally. It was also emphasised that the SSG was an integral element of the Agreement on Agriculture and would remain in force for the duration of the reform process as determined under Article 20. A specific suggestion for further analysis in this area concerned the use of the special agricultural safeguard in circumstances where the volume of imports was insignificant or declining. Further discussion of the issues relating to the SSG provisions will be taken up in detail when the Secretariat background note on the special agricultural safeguard, currently under preparation, becomes available.

"(vii) A wide range of views were expressed on Canada's paper on Sectoral Trade Liberalization (AIE/21). It was noted that any liberalization initiatives for selected sectors within agriculture should not focus solely on market access but should seek to eliminate a much wider range of existing trade distortions, including those arising from domestic support, export subsidies and export taxes. It was also noted that sectoral liberalization initiatives ran the risk of leading to unbalanced results between sectors and that preference should be given to a comprehensive approach for further liberalization of trade in agriculture. On the whole it was my general assessment of the discussion that sectoral initiatives should be regarded as a possible complementary technique and not in any way as a substitute for a comprehensive approach.

"(viii) With regard to domestic support issues, the United States' informal paper on Domestic Support Policy Reform (AIE/19) describing its experience under the FAIR Act of 1996 was the first subject of discussion. Several Members expressed the view that the shift towards Green Box measures constituted a positive step worthy of being extended to other sectors which had been left out from the reforms. However, it was also noted that certain doubts could possibly be raised with the regard to the green status of the direct payments under the FAIR Act.

"(ix) Canada's informal paper on Annex 2: Domestic Support Measures Exempt from Reduction Commitments (AIE/23) and the Secretariat's related background note on Green Box Measures (AIE/S9) provided the basis for a general discussion of the Green Box. On the issue of whether the Green Box criteria were cast too broadly or too narrowly, diverse views were expressed. Among many other comments, the point was made that the past positive experience did not justify a tightening of the criteria and that narrowing the scope of the Green Box might discourage further policy shifts towards minimally trade-distorting policies. It was also suggested that any revision or fine-tuning of the Green Box criteria should give consideration to the question of whether the Green Box was sufficiently developed to accommodate certain domestic policies. The adequacy of the existing review procedures for

the purpose of examining the green status of notified Green Box measures was also addressed.

"(x) Australia's informal paper on Reforming Domestic Support for Agriculture (AIE/27) prompted a debate on many of the principal elements of domestic support. It was observed that the aggregate nature of the AMS provided a number of advantages, such as added flexibility. It was also indicated that this feature of the AMS gave rise to a number of concerns, such as lack of transparency and the possibility of increased support levels for particular products or sectors.

"(xi) The recently circulated informal paper by the European Communities, on Domestic Support Policy Reform: The Role of Article 6.5 Direct Payments (AIE/29), was subject to a general presentation and is for substantive discussion of the next AIE meeting.

"(xii) A first discussion of the issue of non-trade concerns was held on the basis of informal papers by Norway on Non-Trade Concerns in a Multifunctional Agriculture (AIE/22) and by Japan on Non-Trade Concerns in Agriculture (AIE/25). In this general context reference was made to the fundamental importance of account being taken in further negotiations of such concerns as food security and environmental and rural development objectives. However, it was also noted that, while acknowledging that non-trade objectives were legitimate policy objectives, any policies pursuing such objectives needed to take into account societies' other preferences, trade concerns, as well as the notion of policy failure, and in any event should be specifically targeted to the various specific non-trade objectives. In this respect it was underlined that non-trade concerns could and should be accommodated through recourse to Green Box policies and measures. The view was also expressed that account had to be taken of these concerns in the context of the other areas for further negotiation, such as market access. It was also noted that the concept of multifunctionality should be developed on the basis of examples and that useful experience might be gained through concrete illustrations of Members' approaches to addressing non-trade concerns in a targeted fashion.

"(xiii) The discussion of non-trade concerns is to be continued at the September AIE meeting, on which occasion there will also be an opportunity to discuss the related New Zealand paper on the Side Effects of Agricultural Policies and Production (AIE/28). In my view this week's discussions on non-trade concerns was a useful start to detailed analysis of a subject which involves a wide range of sometimes complex and overlapping issues. Many of the non-trade concerns that have been highlighted are concerns which many, if not most, Members share to one degree or another, and what has to be explored in the future analysis and exchange of information, in my view, is how legitimate concerns can be accommodated without prejudicing further agricultural trade liberalization and the equally shared objective of achieving fair and market-oriented trade in agriculture.

"(xiv) Subject to confirmation the next AIE meeting will take place on 28 and 29 September 1998."

Eighth Meeting of the AIE Process: Held on 28-29 September 1998 –
(G/AG/R/16, paragraph 43, refers)

"(i) In line with paragraph 36 of G/AG/R/10, the following is my summary report as Chairman on the meeting of the AIE process held on 28-29 September 1998.

"(ii) The first subject considered at this meeting was non-trade concerns. As well as the informal papers by Norway (AIE/22) and by Japan (AIE/25) which were discussed at the previous session in June, four new informal papers were presented for substantive consideration: AIE/28 by New Zealand on "The Side Effects of Agricultural Policies and Production"; AIE/32 by Argentina on "Non-Trade Concerns in the Next Agricultural Negotiations"; AIE/34 by the United States on "Non-Trade Concerns and Agriculture"; and AIE/36 by Australia on "Non-Trade Concerns". In addition two recently submitted papers by Korea (AIE/39) on "Non-Trade Concerns in Net Food-Importing Countries" and by the European Communities (AIE/40) on "The Multifunctional Character of Agriculture", were for preliminary consideration and are to be taken up for more substantive consideration at the November AIE session.

"(iii) First of all it is worth noting that the range of policy objectives and factors considered relevant in the further analysis and exchange of information on non-trade concerns is very wide ranging. In addition to such factors as food security and the need to protect the environment, which are explicitly referred to in the Agreement on Agriculture, reference was made in the contributions to: the viability of rural areas; the maintenance of rural employment generally, as well as in the specific regions; ensuring balanced territorial and socio-economic development; preservation of the landscape; protection from natural hazards and disasters; biodiversity and ecological issues; ensuring safe and high quality food products; consumer concerns; and even cultural factors and concerns. It was pointed out that many of these factors and concerns were inter-related. A number of suggestions were made regarding the need to define these concerns and the concepts involved more precisely, as well as the need to provide concrete examples in order to facilitate more systematic discussion and analysis.

"(iv) A range of concerns were expressed about the negative impacts on world market prices and access opportunities arising from protectionist or distortive measures maintained on the basis of non-trade concerns in the agricultural sector. A particular concern was that these non-trade related issues could become an obstacle to achieving further substantial liberalization of trade in agriculture. In this regard it was pointed out that, while many of the non-trade concerns enunciated were legitimate objectives of domestic policies and that the social, geographical and economic circumstances in which non-trade concerns arose might vary according to individual countries, methods of addressing these non-trade concerns should be pursued which minimized their adverse impacts on trade. Some of the specific suggestions made in this regard were to explore in more detail in the AIE process whether the specific non-trade concerns that had been mentioned could not be covered by the existing provisions of the Green Box. It was also suggested that any such examination should include related issues of interests to developing countries, including net food-importing developing countries, and issues relating to food security.

"(v) These are suggestions that it would be worthwhile to follow up on.

"(vi) The AIE paper by Canada on "Export Restrictions and Taxes" (AIE/24) provided a useful basis for introducing discussion on a topic which, *inter alia*, has important implications for the increasingly vital role which the WTO trading system will have to continue to play in helping to ensure global food security.

"(vii) A number of observations were made about the adequacy of the existing disciplines on export restrictions under the GATT and the Agreement on Agriculture. The point was made that these disciplines were relatively modest and unbalanced compared to the stricter obligations relating to import measures. In this regard it was pointed out that an important objective of the existing disciplines, and one that needed to be re-enforced, was to ensure that there was non-discrimination between foreign and domestic purchasers in relation to available supplies of foodstuffs in periods of high world prices and short supplies.

"(viii) Amongst other points made it was noted, in relation to export taxes, that such taxes were considered to be necessary to offset the adverse effects of tariff escalation on more processed products. The possibility of negotiating binding commitments on the level of export taxes was also raised.

"(ix) In the area of domestic support, we had the benefit of informal papers on various topics by the United States, South Africa, the European Communities and Australia which allowed us to cover new ground in the AIE discussions in this area.

"(x) The United States' informal paper on "Annex 4: Equivalent Measurement of Support" (AIE/26) raised the issue of the circumstances under which the Equivalent Measurement of Support (EMS) methodology as set out in Annex 4 of the Agreement, should be used in the calculation of Current Total AMS. The suggestion was made that there might be a need in the future to develop a more precise methodology. To improve the transparency of notifications, it was suggested that EMS calculation details should be provided. The proposal was also made to further explore the use being made of the EMS in the framework of informal consultations on domestic support implementation issues generally.

"(xi) In South Africa's informal paper on "The Effect of Inflation on Reduction Commitments" (AIE/33), it was noted that countries with AMS reduction could be facing undue constraints in maintaining the real value of price support measures in the event of high rates of inflation, and that the countries most likely to be affected by this situation

were developing countries. It was noted that this problem was not confined to Members with domestic support reduction commitments but could also be relevant for the many developing countries with trade-distorting support within *de minimis* levels. On the other hand, the point was made that it was an intended outcome of the Uruguay Round negotiations that countries should not be allowed to maintain the real value of trade-distorting domestic support. It was suggested that caution should be exercised in reopening the complex issues involved. The view was expressed that the Agreement afforded sufficient flexibility to take account of inflation-related implementation difficulties, including through the following provisions: Article 18.4 of the Agreement on Agriculture; the in-built inflation adjustment mechanism of *de minimis* provisions by virtue of the fact that support was calculated as a percentage of the current value of production; a higher *de minimis* 10 per cent ceiling for developing countries; external reference prices specified in other than the domestic currency, such as the US dollar; and the possibility of shifting domestic support towards the exempt categories, such as the Green Box. It was also noted that Article 18.4 of the Agreement had yet to be put into practice and that there might be a need to develop operational guidelines as to what constituted "excessive rates of inflation".

"(xii) In the course of the discussion of the paper by the European Communities on "Domestic Support Policy Reform: the Role of Article 6.5 Direct Payments" (AIE/29). It was stated that the move from price support towards direct payments was a step in the right direction and that the Blue Box was a policy instrument necessary to facilitate the adjustment towards less trade distorting support, and there was no basis in the Agreement for the suggestion made for eliminating Article 6.5. Some deficient features of the Blue Box were also noted: these included, in particular, the lack of a ceiling for Blue Box expenditures and the trade-distorting effects resulting from such direct payments being contingent on production.

"(xiii) The informal paper by Australia on "Decoupling Domestic Support" (AIE/35), presented a case for strengthening the Green Box disciplines and criteria. One argument was that Green Box accommodated measures that could cause distortions and that such exempt policies needed to be reviewed to ensure that the reform process was not undermined by policies which were not truly decoupled from current production and prices. It was suggested that proposed candidates for such review would be decoupled income support, resource retirement programmes and investment aids. There were also concerns raised regarding the considerable increase in Green Box expenditures on measures which, according to this view, had distorting effects. In other views expressed it was considered that the experience with Green Box to date was positive and that there was no need to tighten the Green Box eligibility requirements, since to do so could discourage further policy shifts towards less trade distorting measures. It was also suggested that any future review should focus on the issue of whether the Green Box was sufficiently adapted to accommodate policies designed to pursue non-trade objectives and the multifunctional role of agriculture.

"(xiv) In the preliminary discussion on the United States' paper on "Domestic Support" (AIE/38) one observation made was that any fine-tuning of the criteria should impart predictability and stability to the Green Box policy framework and that the ultimate objective should be to ensure that the Green Box could not be applied so as to circumvent domestic support reduction commitments.

"(xv) We will have an opportunity to pursue our discussion on the Green Box and other domestic support issues when this informal paper by the United States is up for substantive consideration at our November meeting.

"(xvi) We had a brief exchange a views on a recently circulated informal paper by the United States on "Article 13: Due Restraint Provisions" (AIE/37) which covers issues relating to the actionability of both domestic support and export subsidies. The importance of the expiry date of the Peace Clause at the end of 2003 and its implications for domestic support and export subsidies was highlighted in a number of the views expressed. This informal paper by the United States will likewise be up for further discussion at our November meeting.

"(xvii) The informal paper by Brazil on "Trade Liberalization: sectoral and 'across the Board'" initiatives (AIE/31) was the subject of a further exchange of views on the relative advantages of sectoral or "zero for zero" negotiating techniques and the relationship of any such approach with a comprehensive horizontal approach for achieving further substantial reductions in agricultural support and protection. Amongst the points made in this regard it was pointed out that the future reduction modalities as such would be a matter to be determined exclusively in the further negotiations and could not be pre-determined in the AIE process. Nevertheless, what measures "zero for zero" might or might not cover in addition to tariffs could be explored in general terms, for example, in the light of previous initiatives, but without attempts to identify specific

products. The suggestion was also made that sectoral approaches could constitute a useful technique, as a complement to global reduction modalities, for dealing with tariff peaks and escalation, including on products of interest to developing countries.

"(xviii) In the discussion on the informal paper by India on "Issues of Interest to Developing Countries" (AIE/30), a number of issues were raised and elaborated. Specifically it was suggested that the principal areas in which a checklist of issues is to be developed should be extended to include, in addition to food security, other non-trade concerns of interest to developing countries.

"(xix) It was noted that food security was a matter which needed to be addressed in a balanced manner in order to underpin the social and political stability that was necessary to ensure the fuller participation of developing countries in international trade. It was also noted that trade distorting subsidies and high levels of border protection in some developed countries had disproportionately negative effects on trade in the many agricultural products on which developing country exporters were more highly dependent. On export subsidies it was pointed out that developing countries were particularly disadvantaged when it came to competing with exporting countries that could afford to deploy large financial resources in favour of their exporters.

"(xx) In this general context one of the views expressed was that as export subsidies should be eliminated completely, export subsidization was not an area in which continuation of special and differential treatment could be justified. On the other hand it was considered that special and differential treatment in the area of market access, both in terms of commitments and their implementation, would continue to be essential. Such treatment was considered to be particularly important in order to improve the general participation of developing countries in world agricultural trade and to reverse the growing tendency for many developing countries to become net importers. Particular importance was attached, in a number of the views expressed, to issues relating to net food-importing developing countries being effectively addressed. Technical assistance issues were also raised in this general context.

"(xxi) In the course of this discussion points were also raised concerning the need for all countries to contribute to the liberalization process, as an integral element of broader policies that were conducive to promoting economic growth and development, thus alleviating rural poverty and improving food security generally. It was suggested that some clarification was required regarding the extent to which non-trade concerns involved specific issues in relation to developing countries and that informal papers by developing countries outlining concrete examples would be a useful contribution to the further AIE analysis in this area.

"(xxii) There was further discussion on the possibility of relevant international organizations being invited to participate in an ad hoc meeting to present their updated assessments of the impact of the implementation of the results of the Uruguay Round, with particular focus on the impact of the implementation of the Agreement on Agriculture for developing countries. The suggestion was made that, in a first stage, consideration might be given to the observer international organizations being invited to make a contribution along these lines in the context of the annual monitoring exercise on the Net Food-Importing Decision at the regular November 1998 meeting of the Committee on Agriculture.

"(xxiii) The Secretariat informed the meeting that Secretariat background papers would continue to be revised and up-dated as appropriate. It was noted that the informal

Secretariat background paper on the special agricultural safeguard (AIE/S12) would be distributed to Members in the near future.

"(xxiv) The next AIE meeting will take place on Monday 16 November 1998."

Ninth Meeting of the AIE Process: Held on 16-17 November 1998 –
(G/AG/R/17, paragraph 36, refers)

"(i) In line with paragraph 36 of G/AG/R/10 the following is my summary report as Chairman of the meeting of the AIE process held on 16-17 November 1998.

"(ii) The first theme discussed at this meeting was non-trade concerns. Informal papers by Norway (AIE/22), Japan (AIE/25), New Zealand (AIE/28), Argentina (AIE/32), the United States (AIE/34) and Australia (AIE/36) had been the subject of substantive discussion at earlier meetings. Two additional papers, AIE/39 by Korea "Non-Trade Concerns in Net Food-Importing Countries" and AIE/40 by the European Communities "The Multifunctional Character of Agriculture", had been the subject of preliminary discussion at the last meeting in September and were discussed substantively during this meeting.

"(iii) As I noted in the report on the last AIE meeting there is a broad range of issues considered relevant in the context of non-trade concerns. The Korean paper concentrates on the areas of food security for net food importing-countries and other positive externalities associated with agricultural production, particularly flood control arising from rice production. The paper by the European Communities emphasises the multifunctional nature of agriculture beyond the production of food and fibres.

"(iv) In the discussions, the need to distinguish between policy objectives related to non-trade concerns and the measures used to try to achieve these objectives was emphasized. It was observed that targeted measures aimed at specific goals were less likely to distort trade and were needed to achieve specific objectives. In contrast, a general measure, like market price support, was economically inefficient and distorted trade, thus also implying a negative spill over effect on other countries.

"(v) Another distinction was noted, namely that the ranking of non-trade concerns was not necessarily the same between developed and developing countries. For many developing countries food security was the most urgent issue, including the need to ensure income levels sufficient for the purchase of basic food stuffs and to develop properly functioning food distribution systems.

"(vi) A number of observations were made that further liberalization of trade in agriculture should improve global food security through increased trade volumes and growing possibilities to diversify sources of supply for food-importers. It was also recalled that, *inter alia*, Annex 2 to the Agreement on Agriculture addressed food security concerns through the provisions relating to public stockholding and domestic food aid.

"(vii) It was indicated that future discussion in this area should focus on the issue of appropriate measures to achieve the various objectives that had been identified in the context of non-trade concerns. It was also suggested that in order to advance work in this area there was a need for specific examples of concerns which could not be addressed under Annex 2 provisions.

"(viii) Moving to special safeguards, the Secretariat introduced its paper AIE/S12 "Special Agricultural Safeguard". This paper, based on notifications and the Uruguay Round Trade Negotiation files in the WTO IDB (IDB CD-ROM, Release 2), covers both the potential use of special safeguards as notified by Members in their Schedules and the actual use as notified by Members in their MA:5 notifications. New Zealand's paper, AIE/20 "Article 5; Special

Safeguard Provisions" had already been the subject of substantive discussion at earlier meetings. This paper highlights concerns about the use of the SSG.

"(ix) It was noted that the SSG was an important element of the Agreement on Agriculture as it had been introduced to address concerns arising from the requirement to tariffy non-tariff measures. It was also noted that although many Members had reserved the right to use special safeguards little use has been made of the provisions. A number of concerns were raised relating to the actual use of the SSG. They referred mainly to the triggering of volume-based safeguard action before the tariff quota had been filled; the possibility to invoke the volume-based safeguard in cases where there was no tariff quota; the triggering of price-based safeguard action at import prices higher than the external reference price used in the tariffication exercise; and issues relating to transparency.

"(x) In the continuing discussion on domestic support two informal papers were examined. The first by the United States (AIE/38) "Domestic Support; Response to AIE/23 and AIE/27" had been the subject of preliminary discussion at the September meeting of the AIE process. This paper further addresses Annex 2 (Green Box), Article 6.5 (Blue Box) and AMS disciplines (Amber Box).

"(xi) The observation was made that Article 6.5 and Annex 2 permitted Members to shift their policies away from more trade-distorting types of domestic support to less distorting measures. Tightening of these provisions could reduce the flexibility currently available to Members. It was also noted that there is nothing in the Agreement on Agriculture to suggest an expiry of Article 6.5. On the other hand, it was pointed out that Article 6.5 payments were of a trade-distorting nature.

"(xii) Another point raised in the discussion was the potential for domestic support measures to distort trade even though they complied with the letter of Annex 2. The view was expressed that it would be more useful to examine the adequacy of the existing criteria for Green Box payments rather than to consider limits to these payments.

"(xiii) As for the Amber Box, the observation was made that the commitments related to the reduction of the overall AMS level and therefore they could allow Members to concentrate supports on a smaller, but more subsidised, group of products, or even to introduce new subsidies.

"(xiv) The paper by Iceland, AIE/42 "External Reference Price Adjustment", addresses the issue of excessive rates of inflation and their effects on reduction commitments. This follows the paper by South Africa, AIE/33 "The Effect of Inflation on Reduction Commitments" which was discussed at the September meeting. The paper by Iceland explains the methodology by which Iceland has recalculated its domestic support using SDRs to replace the Icelandic Króna.

"(xv) Some questions were asked about the methodology used in calculating the adjustment, in particular matters related to the external reference price and to exchange rate conversions. It was noted that adjustments for inflation are not meant to maintain real levels of support but to achieve their reduction on a more equitable basis. On the other hand, the point was made that the external reference price was fixed, reflecting the fact that the reduction commitments agreed in the Uruguay Round were in nominal terms. It was also noted that exchange rate adjustments on top of external reference price adjustments would over compensate for inflation.

"(xvi) It was observed that there is flexibility to address problems of inflation through Green Box measures. Also, with respect to trade-distorting measures, the *de minimis* provisions had an implicit inflation adjustment mechanism as support is calculated as a proportion of the current value of production. The view was also expressed that there was nothing in the Agreement on Agriculture which prevented adjustments for excessive inflation.

"(xvii) It was observed that Article 18.4 provisions were the appropriate route to address problems associated with excessive inflation. Concerns were expressed about the absence of any implementing guidelines for Article 18.4. It was suggested that any changes made to account for excessive inflation should be transparent and should be notified to the Committee as an adjustment under Article 18.4. The Committee could then decide if the adjustment was appropriate.

"(xviii) The paper by South Africa, AIE/41 "The Negative Effects of Export Subsidies on Developing Countries" outlines concerns on the effects that such subsidies can have on developing countries. It notes that export subsidies can adversely affect both net food-exporting countries and net food-importing countries, including through their impact on agricultural investment. The high proportion of the population of developing countries living

in rural areas and who depend on farming meant there should be a favourable multiplier effect for the economy as a whole if returns from farming increase.

"(xix) It was suggested that export subsidies distorted trade in favour of those countries which could afford them. Net food-exporting developing countries had to compete on world markets against subsidized supply from other sources which meant lower prices for them. As regards net food-importing countries it was noted that there may be short term benefits from importing subsidised agricultural products but that these may reduce their potential to develop agricultural production.

"(xx) It was stated that the positive effects of eliminating export subsidies for net food-importing developing countries depended on a number of factors. These factors could range from climatic conditions to domestic agricultural policies. Elimination of export subsidies would have to be accompanied by transitional food aid measures for some countries. There was also the view that there was a need to take into consideration the concerns of small states, particularly least-developed and net food-importing small states, when dealing with the issue of export subsidies, especially as, in this view, no positive conclusion has been forthcoming with respect to the relevant Marrakesh Decision.

"(xxi) The point was made that the use of export subsidies could also result in recourse to trade measures to protect domestic producers from subsidised competition. On the other hand, reducing export subsidies would provide incentives to improve conditions of market access which, in turn, would benefit trade in agricultural products.

"(xxii) India's paper AIE/30 "Issues of Interest to Developing Countries" had already been discussed at earlier meetings while India's most recent paper, AIE/44 "Food Security - An Important Non Trade Concern", was the subject of preliminary discussion. This new paper examines the issue of food security and, *inter alia*, suggests that a purely market-oriented approach may not be the optimal one for some countries, especially developing countries with their large rural population. It suggests government intervention may be necessary in pursuit of the objective of self sufficiency, considered to be an essential element of food security, and certain other non-trade concerns.

"(xxiii) In terms of future work for the Secretariat it was suggested that developing countries should submit a list of the agricultural products of greatest interest to them so that the Secretariat can provide information on the relevant tariff levels. In this context reference was also made to the information contained in the AIE/43 paper by Uruguay.

"(xxiv) As the paper AIE/44 was only for preliminary discussion it was agreed to revert to it at the next meeting which will take place on 17 March, 1999. Due to time constraints it was also agreed that discussion of the US paper AIE/37 "Due Restraint Provisions - Article 13" and the paper by Uruguay AIE/43 "Tariff Peaks and Tariff Escalation for Agricultural and Agri Food Products and their Effect on Developing and Least Developed Countries" would be the subject of substantive discussion at the next meeting. Several Members indicated their intention to table further papers for this meeting."

Tenth Meeting of the AIE Process: Held on 24-25 March 1999 –
(G/AG/R/18, paragraph 33, refers)

"(i) In line with paragraph 36 of G/AG/R/10 the following is my summary report as Chairman of the meeting of the AIE process held on 24-25 March 1999.

"(ii) The discussion of the issue of non-trade concerns continued at this meeting with papers by India "Food Security - An Important Non-Trade Concern" (AIE/44) and Norway "Environmental Effects of Trade Liberalization in the Agricultural Sector" (AIE/48). The paper by India, which was the subject of preliminary discussion at the last meeting, was a follow up to their earlier paper (AIE/30) on general non-trade concerns and focused on the issue of government support for agricultural production as part of its food security objectives.

"(iii) Members acknowledged that food security was important to all countries, especially for developing countries, and further trade liberalization was only one of several factors necessary to ensure reliable access to food supplies. It was pointed out that the Agreement on Agriculture already offers flexibility for Members to pursue food security policies. However,

it was also noted that financial constraints reduce the ability of some developing countries to use direct payments. While the most effective way of improving food security was considered to be through general economic development some Members felt that government intervention may be necessary to maintain production as food security insurance against such problems as severe exchange rate fluctuations and balance-of-payments difficulties.

"(iv) The discussion on the Norwegian paper focused on the extent to which production supports are necessary to achieve certain non-trade concerns related to agriculture and the environmental impact of these supports.

"(v) While, according to the paper there was no significant relationship between levels of support and environmental degradation, this conclusion was not shared by some Members who considered that there were shortcomings with the data and the methodology used. It was also noted that indicators of the negative environmental effects of agriculture needed to be considered against the background of the specific conditions of the areas or countries in question. Opinions were expressed that the existing provisions of the Agreement on Agriculture are already sufficient to allow supports for the environment and that measures targeted at specific objectives rather than through general support schemes are more likely to achieve specific environmental objectives.

"(vi) There were two papers on Article 13, the peace clause. One from the United States "Article 13 - Due Restraint Provisions" (AIE/37) and the other from the European Communities "The Agreement on Agriculture and the Need for Legal Security" (AIE/53). The paper by the United States pointed out that Article 13 is due to expire at the end of 2003 and that the Subsidies Agreement will then apply. The EC paper suggested that legal security gives Members time to adapt their policies and is needed to assure them that in complying with the Agreement on Agriculture they are protected from litigation.

"(vii) It was pointed out that consensus within the WTO will be needed for any extension of the provisions of Article 13 beyond 2003 and this could be seen as an incentive to conclude negotiations before that date. It was also noted that the peace clause had been an important element in agreeing to the Uruguay Round reform programme and should form part of the basis for further reform. The role of the peace clause in enabling Members to shift their supports to the Green Box was stressed. Some Members noted that the peace clause applies more to the question of investigations by national authorities on subsidies rather than to Dispute Settlement proceedings.

"(viii) The United States argued in their paper "Administration of Tariff-Rate Quotas" (AIE/46) that additional disciplines are needed to ensure that market access opportunities are not restricted by administrative methods. In the discussion, the view was supported that while Article XIII of GATT 1994 and the Agreement on Import Licensing Procedures include some provisions on the administration of tariff quotas, these are not considered to be sufficient. More detailed guidelines were needed both by exporting countries to ensure that the market access opportunities were not further restricted and by importing countries to ensure that their administration systems satisfied the legal requirements of the WTO. It was also pointed out that the use of a simple indicator, like tariff quota fill, may be useful but underfill alone was not sufficient grounds to conclude that a particular administration method is restricting trade further than the tariff quota itself. According to this view an analysis of the administration method would need to examine other factors including the market structure of the country and the characteristics of the product concerned.

"(ix) The paper by Bulgaria, the Czech Republic, Hungary, Poland, the Slovak Republic and Slovenia "The Future Treatment of Domestic Support Commitments in the Case of Transition and Post-Transition Economies" (AIE/45) considered the special needs of these countries. These Members stressed that the situation of the transition and post-transition countries underlines the vital importance of special flexibility in the area of domestic support in helping these countries move towards market-oriented economies.

"(x) In the discussion the problems associated with market support-type measures were pointed out as it was felt these may perpetuate the types of inefficiencies the shift to a market economy should remove. It would be better to use the flexibility of Annex 2 of the Agreement on Agriculture which permits supports for measures like investment and land restructuring with no reduction commitments. Other issues like high inflation may be better addressed through macro-economic policies which would benefit the country as a whole rather than trying to shield one sector from its effects.

"(xi) The paper by New Zealand "Domestic Support: Article 6.5 of the Agreement on Agriculture - Blue Box" (AIE/49) continued the discussion on domestic support. This paper suggested that some Members may be maintaining trade-distorting levels of support by

shifting payments away from those that are subject to reduction commitments and into programmes which qualify for the Article 6.5 exemption for payments under production-limiting programmes.

"(xii) It was suggested that these types of payments were much less trade distorting than market support measures. Some Members considered them necessary to achieve certain objectives, some of which are in the area of multifunctionality. It was noted that payments under Article 6.5 were more transparent and that there is nothing in the Agreement on Agriculture to suggest the expiry of Article 6.5. The view was also expressed, however, that the fact that these types of payments were included in the base period Aggregate Measurement of Support calculation recognized their trade-distorting nature and that reduction commitments should be considered.

"(xiii) Uruguay introduced a WTO/UNCTAD joint study "Tariff Peaks and Tariff Escalation" (AIE/43). The paper indicated that many countries have a number of tariff peaks for certain agricultural products and that tariff escalation also persists in many cases. It was noted that these issues are of considerable importance to developing countries that see in tariff escalation a serious obstacle to expanding and diversifying their exports and to developing their food processing industries. The view was also expressed that the tariff rates agreed during the Uruguay Round reflected many factors relating to different domestic situations and particular products.

"(xiv) The paper by the United States "Food Security - The Impact of Export Taxes" (AIE/47) suggested that disciplines are needed to address the issue of export restrictions because of the impact that they can have on food security in importing countries and the importance of reliable access to food supplies. While the suggestion of negotiations on this issue was noted it was pointed out that export taxes which are part of price controls in the exporting country should be considered separately. On the one hand, some developing countries may need export controls in order to encourage the development of local processing industries while, on the other hand, some countries use them to stabilize internal prices and this may exaggerate changes in world market prices. It was noted that export restrictions may need to be considered along with issues like tariff peaks and tariff escalation as all these issues are relevant to the question of food security.

"(xv) New Zealand's paper "Export Credits" (AIE/50) dealt with the use of export credits and the need for agreed disciplines on their use. Members were assured that the paper did not address the issue of humanitarian aid. While it was generally accepted that disciplines were needed there were different views on the timing and location of the negotiations. Although Article 10.2 of the Agreement on Agriculture requires Members to work towards disciplines on export credits it was noted that no final agreement has been reached in the discussions taking place in the OECD. The view was expressed that these negotiations should be concluded before the negotiations on agriculture commence. It was also felt that Members as a whole should be better informed of the issues under discussion. In this context it was important to establish the factors that could constitute subsidies in this area. The Secretariat was requested to prepare a factual paper on export credits and related facilities.

"(xvi) The paper by El Salvador, Honduras, Cuba, Nicaragua, the Dominican Republic and Pakistan "Issues Related to Market Access" (AIE/54) was given a preliminary introduction to the AIE process. The paper raises some of the problems associated with the Uruguay Round results on market access for agricultural products, in particular products of interest to developing countries, and suggests a number of solutions. Also introduced to the AIE process was the paper by Mauritius "Multifunctional Role of Agriculture in Small Island Developing

States" (AIE/51) which outlined the concerns facing small developing economies in general and small islands in particular. It suggests that flexibility is needed to enable these countries to address these concerns. Both of these papers will be the subject of further discussion, along with the other papers submitted to the AIE process which were not discussed at this meeting.

"(xvii) The Secretariat briefly introduced the revised background papers "Agriculture Trade Performance by Developing Countries" (AIE/S10/Rev.1) and "NFIDC Decision - Actions Taken Within the Framework of the Decision as Notified by Members" (AIE/S8/Rev.1). In addition a paper on implementation of the NFIDC Decision (G/AG/W/42) had been circulated to Members and revisions of the Secretariat papers AIE/S2 on domestic support and AIE/S3 on export subsidies along with a new paper on tariff treatment of products of interest to developing countries are in the course of preparation."

Eleventh Meeting of the AIE Process: Held on 23-24 June 1999 –
(G/AG/R/19, paragraph 26, refers)

"(i) In line with paragraph 36 of G/AG/R/10 the following is my summary report as Chairman of the eleventh meeting of the AIE process held on 23-24 June 1999.

"(ii) Consideration of non-trade concerns continued at this meeting with substantive discussion of the paper by Mauritius "Multifunctional Role of Agriculture in Small Island Developing States" (AIE/51). This paper addressed the characteristics of agriculture in small developing island states and its role in their social and economic development. It was suggested that flexibility in making and implementing commitments was needed in order to allow these countries to address their specific concerns.

"(iii) Once again it was noted that different countries focus on different issues which come under the broad heading of non-trade concerns. Many less developed countries tend to concentrate on rural employment, attenuation of the effects of rural out-migration and poverty alleviation. On the other hand, some developed countries place particular emphasis on issues such as landscape, environment and domestic income equality. It was noted that food security was of interest to all Members although particularly for low income countries.

"(iv) Specificities of small island states and the importance of their non-trade concerns were recognized. It was also recalled that existing provisions were sufficient to address them and that protectionism in pursuit of non-trade objectives could reduce development opportunities for other countries.

"(v) A number of other papers on multifunctionality were introduced at this meeting and will be the subject of substantive discussion at the next one. These included papers by Norway "Food Security and the Role of Domestic Agricultural Production" (AIE/57), two papers by Japan "Multi-functionality in Japan" (AIE/60) and "Food Security" (AIE/61) and by the United States "The 'Multifunctional' Character of Agriculture, Food Security and Other non-Trade Concerns" (AIE/64).

"(vi) The European Communities' paper "Article 5: Special Safeguard Clause for Agriculture" put forward the opinion that this provision was introduced to assist tariffication and that it should remain in force. In the discussion the concerns expressed at the November AIE meeting in response to New Zealand's paper (AIE/20) about the application of Article 5 were reiterated although it was noted that special safeguards have not been used extensively. It was pointed out that the provision does cause some uncertainty for exporters although it was also considered that special safeguards can be a useful mechanism for addressing concerns about sudden price falls or import surges.

"(vii) Market access issues of concern to developing countries were addressed in the paper by El Salvador, Honduras, Cuba, Nicaragua, the Dominican Republic and Pakistan "Issues Related to Market Access" (AIE/54). This paper highlighted a number of factors which reduced market access opportunities for developing countries and suggested a number of ways in which the situation could be improved.

"(viii) In the discussion there was general recognition that special and differential treatment will remain an integral element of the forthcoming negotiations although the exact nature of the provisions will be a matter to be taken up in the course of these negotiations. It was also

pointed out that existing special and differential treatment provisions may go some way towards addressing the concerns expressed in the paper.

"(ix) Also on market access, the United States introduced their paper "High In-Quota Duties" (AIE/56) which outlined some of the issues related to in-quota tariff rates and the need for information on the relationship between quota fill rates and in-quota tariff rates. Canada's paper "Data Requirements for Agriculture Negotiations" (AIE/55) also highlighted the need for information on in-quota tariff rates. The paper pointed out the information currently available from various sources and the deficiencies associated with them. It stressed the usefulness for all Members to have complete and accurate data in the forthcoming negotiations.

"(x) In the discussion of Canada's paper it was stressed that more data would be useful but that this should not delay the start of negotiations. It was also pointed out that timely and full compliance with notification obligations would go some way towards filling the gaps in Members' data requirements..

"(xi) The European Communities' paper "The Agreement on Agriculture and the Need for Legal Security" (AIE/53) underlined the importance of legal security for existing commitments as well as the commitments to be made as a result of the forthcoming negotiations. In the discussion it was suggested that this security may need to go beyond the existing coverage provided by Article 13. However, different views were expressed about both any prolongation of the existing peace clause and about any extension of its scope. It was pointed out that before a due restraint clause could be considered some idea of the future commitments would be needed. The point was also made that it will be necessary to avoid undermining other Members' rights to protect their trade interests although the view was also expressed that Members complying with their commitments under the agriculture agreement needed to have assurance that they would not be subjected to undue challenges under other WTO provisions.

"(xii) It was also pointed out that the implementation period for developing countries runs until the end of 2004 while Article 13 expires at the end of 2003.

"(xiii) A number of papers were introduced which were submitted after the deadline of three weeks before the meeting. These papers covered the following topics:

- the continuation of reform (AIE/59 by Malaysia, Myanmar, Philippines and Thailand);
- the agreed conclusions of the UNCTAD Expert Meeting on Trade in the Agriculture Sector (AIE/58 by Uruguay);
- export regulations (AIE/62 by Japan); and
- special and differential treatment for developing countries (AIE/63 by Cuba, Dominican Republic, El Salvador, Honduras, Nicaragua, Pakistan, Sri Lanka and Uganda).

"(xiv) The Secretariat noted that the background papers on domestic support (AIE/S2) and Green Box supports (AIE/S9) had been updated. In addition, the revision of the background papers on export subsidies and papers on export credits and on products of interest to developing countries should be available before the next meeting in September."

Twelfth and Final Meeting of the AIE Process: Held on 28-29 September 1999 –
(G/AG/R/20 refers)

- "(i) In line with paragraph 36 of G/AG/R/10 the following is my summary report as Chairman of the twelfth, and last, meeting of the AIE process held on 28-29 September 1999.
- "(ii) The subject of non-trade concerns was further and extensively discussed on the basis of papers presented by Norway (AIE/57 and AIE/68), Japan (AIE/60 and AIE/61), the United States (AIE/64), Switzerland (AIE/67) and the European Communities (AIE/73).
- The first Norwegian paper (AIE/57) stressed the importance of food security and the role domestic production can play in achieving this objective while the second (AIE/68) addressed policy measures, including production supports, that were considered necessary in order to achieve certain multifunctional objectives;

- Japan's paper (AIE/61) on food security focused on domestic production as a vital element of food security while their paper (AIE/60) on multifunctionality outlined their principal concerns under this heading and pointed out that the emphasis attributed to different non-trade concerns varied from one country to another;
- The paper by the United States (AIE/64) suggested that measures to address non-trade concerns needed to be targeted and decoupled from production in order to achieve their objectives and that negative effects on other countries should be avoided. In this regard, the paper suggested that existing Annex 2 provisions should be sufficient to cater for Members' non-trade concerns;
- In their paper Switzerland (AIE/67) put forward a number of criteria for assessing the measures used to address non-trade concerns and suggested that existing Annex 2 provisions were not sufficient to meet certain multifunctional objectives; and
- The EC paper (AIE/73), which was distributed during the meeting, was about the instruments which could be used to achieve multifunctional policy objectives.

"(iii) In the discussion the critical importance of food security, especially for developing countries, was recognized and the crucial role played by international trade in achieving food security was stressed. It was suggested that reducing trade-distorting protection and support would help many developing countries to improve their export performance and thus their ability to finance their food security needs.

"(iv) It was also pointed out that self-sufficiency did not necessarily mean food security as such a policy could not address the dangers associated with disease or natural disasters. However, the view was also expressed that domestic production, along with trade and food stockpiles, were all essential elements of food security and that adequate levels of domestic production were needed to address certain threats to food security, including economic crises.

"(v) Differing views were expressed on the need for linkage between production measures and the achievement of multifunctional objectives. On the one hand it was considered that fully decoupled supports were capable of meeting such objectives, while on the other hand it was suggested that in the absence of some form of production support many important multifunctional objectives could not be realized. Doubts were also expressed about the ability of the current provisions to cover the wide range of non-trade concerns which often differed from one country, or group of countries, to another. However, it was also stated that certain trade-distorting subsidies, especially export subsidies, could not be justified on the grounds that they contributed to the achievement of multifunctional objectives.

"(vi) On market access the United States paper on High In-Quota Tariff Rates (AIE/56) suggested that some analytical work was needed to assess the relationship between tariff-quota fill and applied in-quota tariff rates. In this regard it was noted that the applied tariff rate was only one of many factors affecting tariff-quota fill.

"(vii) The issue of tariff-quota administration was addressed in the EC's paper "Administration of Tariff Rate Quotas" (AIE/71) which outlined the EC's experience with different methods of licence allocation. The paper also discussed auctioning as a possible method of quota allocation and concluded that, while there was no single best method, some modalities for administration may be useful.

"(viii) While there was support for the EC's conclusion that better rules on tariff-quota administration were needed questions were raised regarding the legality and effectiveness of auctioning tariff quota licences.

"(ix) The EC paper (AIE/66) "Product Coverage of the Agreement on Agriculture" suggested various alternatives for updating Annex 1 of the Agreement on the basis of the HS 96 tariff nomenclature. In this regard it was pointed out that account might also need to be taken of any further changes to the Harmonized System.

"(x) The subject of export regulations was introduced by Japan in their paper (AIE/62). The paper suggested that the rules on export restrictions needed to be strengthened in order to have a better balance between the rules and disciplines on market access and those on export restraints, including coverage of the operations of importing and exporting state trading enterprises.

"(xi) In the course of the discussion it was noted that export restraints can adversely affect food security. It was also suggested that import restrictions were a more important source of distortion in world trade and this was reflected in the more extensive disciplines on such

restrictions. Another point that was highlighted was that export restrictions were often applied by developing countries to promote the development of processing industries by offsetting tariff escalation in some developed country markets.

"(xii) In this general context, in addition to suggested improvements in the anti-circumvention disciplines of Article 10.1 of the Agreement on exporting STEs, reference was also made to the, so far unfulfilled, undertaking in Article 10.2 to arrive at internationally agreed disciplines on export credits.

"(xiii) The paper by Cuba, the Dominican Republic, El Salvador, Honduras, Nicaragua, Pakistan, Sri Lanka and Uganda "Issues Related to Special and Differential Treatment" (AIE/63) highlighted the difficulties facing agriculture in developing compared to developed countries and the need for more effective provisions on special and differential treatment. The follow-up paper by El Salvador, Cuba, Honduras, the Dominican Republic, Pakistan, Sri Lanka and Zimbabwe "Special and Differential Treatment, Non-Paper 2" (AIE/70) went on to develop some of the issues raised in AIE/63.

"(xiv) These two papers noted that developed countries have provided much higher levels of support and protection which has given them a considerable advantage over developing countries and that the current provisions in the Agreement were, in some cases, inappropriate for developing countries. In order to allow them to develop their agriculture sectors the papers suggested that consideration should be given to measures to improve market access for products from developing countries, to give them flexibility on their domestic supports and to make the Decision on Net Food-Importing Developing Countries more operational.

"(xv) There was general agreement that special and differential treatment for developing countries was needed to take account of the difficulties they faced, although it was pointed out that development needs often varied from one developing country to another. It was felt that improving market access for products of interest to developing countries and reducing competition from subsidized production and exports would be of considerable help although different emphasis was placed on flexibility in implementing commitments.

"(xvi) Mauritius introduced their paper "Agriculture in Small Island Developing States" (AIE/65) which set out the Plan of Action adopted by the FAO Council at its meeting in June 1999. It was pointed out that the Plan of Action was now an official document of the General Assembly of the United Nations. While it was noted that the Plan also included some suggestions which were outside the scope of the agriculture negotiations, there was extensive support in favour of the relevant issues being addressed in the future negotiations.

"(xvii) The paper by Malaysia, Myanmar, Philippines and Thailand, "Continuation of the Reform Process After the End of the Implementation Period" (AIE/59) outlined some options for continuing reform after the end of the implementation period. In introducing its paper "Agreed Conclusions of an UNCTAD Expert Meeting on Trade in Agriculture" (AIE/58) Uruguay pointed out that these conclusions had been agreed by all participants at that meeting.

"(xviii) Other new papers presented at this meeting were; AIE/69 by the United States on trade in agricultural biotechnology products; AIE/72 by the EC on food quality, reputation and geographical origin and AIE/74 by Uruguay on the report by the Chairman of an FAO/Netherlands Conference "The Multifunctional Character of Agriculture and Land". On the EC paper, an opinion was expressed that the issue of intellectual property should not be raised in this forum.

"(xix) It was noted that Secretariat background papers on products of interest to developing countries (AIE/S13) and revised background papers on export subsidies (AIE/S3/Rev.1) and domestic support (AIE/S2/Rev.2) had been circulated since the June 1999 meeting of the AIE process. It was also noted that revised background papers on tariff-quotas (AIE/S1 and AIE/S4) and a paper on export credits would be circulated in the near future.

"(xx) Finally it was noted that, should there be any additional papers that Members proposed to submit in the near future that these papers would be circulated and included in the list of AIE papers with an appropriate annotation."
